



LOMBARD

Sick news from America

BY ANTHONY HARRIS

THE EFFORTS of the Carter administration to impose some sort of price control on the cost of medical care is a story which deserves a lot more attention than it is likely to receive in this country...

health economics is a growth market for U.S. graduates. For the economist on the other side of the Atlantic the story also raises some broad and puzzling questions...

Fastest growing

It seems likely, though, that private insurance, which has much less power over costs than any other scheme, even in wealthy Sweden...

The reason for the President's attempted intervention is that the Federal Government cannot afford to meet the rising cost of care either...

At the root

According to the Conference Board, to whom I owe the facts cited here, the insurance system is at the root of a good deal of the trouble...

It is still arguable that private insurance, however extravagant the result, has one very important advantage over any state scheme...

All the same, unless some way can be found to keep costs under control, the American system does have one overwhelming disadvantage—the one which has provoked the President...

SPORT

CRICKET

BY TREVOR BAILEY

Weakened England should still beat Pakistan and New Zealand

THE ENGLAND GROUP to tour Pakistan and New Zealand this winter is rather predictable and really has only two major surprises...

much as had been expected. He has the basic skill. The selectors had to seek a replacement for Knott, who has done so well for England...

My personal regret is that a place could not be found for the young Leicestershire left-hander. Gowar, whom I believe to have something special...

YACHTING

BY ALEC BELL

Whitbread pace quicken near Canary Islands

MOST OF THE 15 competitors in the Whitbread round-the-world yacht race, who last week were struggling off the west of Spain in light winds...

British crews have been given an early edge in the reporting via the GPO Radio Centre at Portishead...

This is again a sign of the main handicap prize, the bread Trophy, and Cornish Rascals, her owner, is planning the race's dedicated precision for years.

RACING

BY DOMINIC WIGAN

Queen's filly is a good bet

RIDING PLANS for the St. Leger, Britain's oldest classic, which is only four days away, seem to suggest that there will probably be a dozen or so rivals for Alleged, Ireland's hot favourite...

He is confident that she will leave her disappointing York shire Oaks form well behind. If Dunfermline is able to regain winning form in Saturday's race, she will become the sixth filly in the history of the St. Leger...

the St. Leger one of his luckiest races over the years, looks set to partner Remezo, an easy winner from Girl of Shiraz at York a week ago...

TENNIS

BY JOHN BARRETT

McEnroe continues the havoc

JOHN MCENROE, the 18-year-old qualifier who reached the semi-finals at Wimbledon, continues to wreak havoc among the stars of the tennis circuit...

McEnroe, whose home is only minutes from the Forest Hills Stadium, knocked out the ninth-seeded Eddie Dibbs in the third round of the United States Open...

got him to the Wimbledon semi-final against Jimmy Connors. McEnroe, who now meets the third seed, Manuel Orantes, for a place in the quarter-finals...

TV/Radio

Table with TV and Radio programmes listed by time slot and channel.

F.T. CROSSWORD PUZZLE No. 3,459

Crossword puzzle grid with numbered squares and clues.

- ACROSS: 1 Who had to change for a ride on Jumbo? (6) 4 A bowler is commended for the racecourse (8) 10 The accepted time for a spread (8, 3) 11 The Saint of Chorea (5) 12 Eaten daily and used by the intelligent (4) 13 Quarrel with distinction (10) 14 Harangue goes on about proportion (7) 15 Club for a GP with a place in Bucks (6) 16 Keeps off crooked purchasers (6) 17 We have one short month to get it or a doorknocker (7) 18 One of the top Scots (10) 19 It may be sinister—it's crazy to sound it (4) 20 A house where the haddie drops in (5) 21 Kings and Queens must come to this (3, 6) 22 MCMXXV (4, 4) 23 Experts need it for health (6) DOWN: 1 Am in the hotel with the Admiral's lady (8) 2 Headgear for the alert (4-5) 3 Competent seaman might follow it (4) 4 Stuffed but not by a taxidermist (7) 5 Out-of-the-way announcements (10)

Table with radio programmes listed by time slot and station.

WINE

Another record year in the salerooms

BY EDMUND PENNING ROWSELL

RECORD turnover was again achieved by Christie's and Sotheby's for their wine sales in the recently ended 1976-77 season...

Christie's total was £2.3m. Sotheby's £2.5m. Christie's also chalked up another £207,000 for sales held abroad...

Considering the fact that up to eleven years ago fewer than ten regular wine auctions took place in London a year, compared with almost a hundred in the past season...



EUROPEAN NEWS

Bonn may seek Callaghan reassurance over Europe

BY ADRIAN DICKS

MR. JAMES Callaghan's visit to Bonn this week, long scheduled as part of the U.K. Prime Minister's regular series of meetings with Chancellor Helmut Schmidt, is likely to be used by the West German government as an occasion to clarify what public opinion here has perceived as disturbing evidence of British ambivalence towards Europe.

Minister's remarks, expressing disappointment at the results of the May economic summit meeting in London and in effect pressing the U.S. and West Germany to take remedial action, have been interpreted by officials close to the Chancellor as dismayed that Mr. Callaghan should have chosen to make his comments at the very moment that the West German coalition Government is spending most of its waking hours trying to reach agreement on exactly what to include in the reflationary package it has promised to announce on September 14.

Britain was only half Europe, and warned the Labour Party not to offend its internal differences on to its partners. Meanwhile, there are no signs this evening that the coalition parties are any closer to final agreement on what the West German reflationary package should consist of. According to some reports, however, Herr Schmidt has taken the side of the Free Democrats in arguing to his own Social Democratic Party executive committee in favour of higher tax write-offs for business, in addition to tax cuts for individuals. Herr Schmidt was said to have claimed forcefully that West Germany's industry is at a relative disadvantage internationally in terms of the depreciation allowances it can benefit from now.

Attempts to form new Dutch coalition

By Michael Van Os

AMSTERDAM, Sept. 5. QUEEN Juliana has appointed two mediators to pave the way for a new left-of-centre Dutch coalition, which has so far taken over three months to establish. They are Mr. Joop den Uyl, the outgoing Premier of the current, similar coalition which has been in office since the May general elections, and Dr. Gerard Vering, a former Christian Democratic cabinet minister, last week successfully worked out a compromise on the issue of legalising abortion, over which Mr. den Uyl's second attempt to form a Socialist-Christian Democratic coalition had failed.

Owen in talks on Spanish EEC entry bid

BY DIANA SMITH

DR. DAVID OWEN, the British Foreign Secretary, who insisted on his arrival at Madrid airport this morning that Gibraltar would not dominate his talks with the Spanish Government, began a long working session this afternoon with Sr. Marcelino Oreja, the Spanish Foreign Minister. Both Dr. Owen and the Spanish authorities are careful to stress the broader aspects of their talks, which they say will concentrate on Spain's application to join the Common Market (apparently supported by Great Britain) and her future relations with NATO.

Its 30,000 inhabitants, she is prepared to seek a compromise with Britain and respect the special interests of the Gibraltarians. To-morrow Dr. Owen will pay courtesy calls on King Juan Carlos and Prime Minister Adolfo Suarez. On his return at the weekend end of a tour of The Hague, Copenhagen, Paris and Rome in search of backing for Spain's European aspirations, Sr. Oreja is expected to put an end to disputes among leading members of the ruling Union of the Democratic Centre (UCD) which had broken out during his absence. The disputes are attributed mainly to the fact that Prime Minister Suarez is the driving force of the loosely bound coalition of Social Democrats, Christian Democrats, Liberals and Independents who banded together to back his candidacy in the June general elections. Without his guiding hand, differences of opinion quickly surfaced. The Prime Minister's return, however, seems to have deflected a crisis that many observers saw as a storm in a tea

cup, rather than a serious threat to Government stability. Meanwhile the authorities have scored a success in two potentially-awkward long running conflicts. After mediation at the weekend end of the dispute between management and labour in the shoe industry, which led to a fortnight's strike that lost Spain millions of dollars in export revenue, the Ministry of Labour persuaded workers to return to their jobs to-day, and advised management to grant a 30 per cent wage increase, a month's annual paid holiday, and equal pay for men and women.

The Madrid authorities, furthermore, turned down local bankers' industrialists' request for a 40 per cent rise in the price of bread after nearly ten days' discussions with consumer associations, neighbourhood associations, management and careful assessment of costs and profit margins. Late to-night at the Prime Minister's request, Sr. Felipe Gonzalez, leader of Spain's second largest party, the Socialist Workers' Party (PSO), went to the Palace of Mon for talks. At a news conference earlier this evening Sr. Gonzalez voiced some scepticism at persistent rumours of a Government crisis. "The Prime Minister," he said, "will bring me up-to-date on the current situation in the next few days. I have been touring America representing both party and the Socialist International." Persistently asked about possibility of the PSOE joining a coalition government, Gonzalez said that he was convinced that a broad spectrum coalition would be any more coherent than the present one. "Before anyone starts thinking of coalitions," he said, "it is important procedures be carried out. Let us first get the Government's programme, the appropriate setting in Parliament, if after that debate, the programme is acceptable, then and only then consideration might be given an alternative to the present Government."

Third German terrorism victim

BY ADRIAN DICKS

DR. HANNS Martin Schleyer, the president of the West German Employers' Association, whose fate was still uncertain after an attack on his car in Cologne on April 7, a terrorist group staged a similar attack on the Chief Federal Prosecutor, Herr Siegfried Buback, his car was ambushed on the way to his Karlsruhe office, when attackers armed with machine guns killed Herr Buback and his driver and fatally wounded his police guard. On July 30, a group of terrorists, apparently consisting of four women who included a friend of the family, forced their way into the home of Herr Juergen Ponto, chairman of the Board of the Dresdener Bank, and shot him down in cold blood. Most recently, two terrorists took an elderly couple in Karlsruhe hostage on August 24, using their flat to set up a homemade rocket launcher which was intended to fire 40 rockets into the federal prosecutor's office across the street. The attack was foiled shortly before the device was due to go off.

All three incidents provoked a storm of political and public protest, to which the new outrage will add further fuel, whatever its outcome. The police have named suspects in all three cases, and extensive searches have been carried out several times this summer on the basis of information received from the public. The authorities have indicated that they believe the latest round of terrorist activity to be part of a concerted scheme, and they have also voiced the suspicion that it was planned by some of the radical left-wing lawyers involved in the defence of members of the original Baader-Meinhof gang—the most enduring label attached to the terrorists—although Herr Andreas Baader is currently serving a long prison sentence and Frau Ulrike Meinhof died in prison while on remand in June last year. According to evidence presented to the Bundestag internal affairs committee only a few days ago, the federal prosecutors believe that there are as many as 1,200 terrorists in West Germany, plus an unknown number of sympathisers and people willing to turn a blind eye. It is also probable that a good many younger people, sharing

in a milder degree some of the terrorists' violent and conformist and sometimes overbearing society, are willing to give them the benefit of the doubt. Chancellor Helmut Schmidt, speaking at Herr Buback's funeral, appealed to university teachers and other intellectuals in a position to influence students and other young people considered "susceptible to such indulgence, to remember the violent nature of the terrorist movement. Although the Baader-Meinhof group and its early imitators preached an amorphous, Left-wing philosophy which had roots in the European wave of student discontent of the late 1960s, the most recent series of outrages has seemed to have little sense of purpose other than to demonstrate that the terrorists remain some way ahead of their pursuers, and to even the score each time the police do succeed in making an arrest. There has also been a pattern of "arrogant" such success and what the perpetrators choose to see as brutality on the part of the authorities. The latest example of this has been a concerted prison hunger strike by some 40 convicted terrorists, including Herr Baader.

French petrol tax to rise

BY DAVID CURRY

MOTORISTS will bear the brunt of the extra taxation the French Government expects to propose to cut its budget deficit to below Frs.10bn. from the Frs.19bn. or so it would otherwise reach. At the same time, modest tax concessions, primarily to the elderly and low paid, are envisaged. It looks as if more than half the Frs.10bn. extra income will come from a two-stage increase in petrol taxes which will put up prices over the year by some 10 per cent. A further Frs.1bn. is likely to come from higher road fund charges—the Government is still talking with motor manufacturers about how to link taxation more closely to petrol consumption.

On the benefit side, the main concession expected to be proposed by M. Barre, the Prime Minister, is an across-the-board 7.5 per cent. increase in tax thresholds which will cost the Treasury some Frs.4.5bn. while remaining a good 1.5 per cent. below what would have been necessary to compensate for price rises over 1977. People just retired and wage-earners with incomes close to the national minimum will benefit from small additional concessions, while certain allowances now available for wage-earners will be extended to craftsmen and shopkeepers who agree to submit their accounts for approval.

Turkey-IMF loan talks

BY METIN MUNIR

TURKEY, WHICH is suffering from an acute disequilibrium in its balance of payments and shortage of foreign currency reserves, to-day opened negotiations here with the International Monetary Fund for a possible stand-by loan. An IMF team of four people which arrived in Ankara yesterday, was to-day studying reports on the state of the Turkish economy submitted to them by their hosts. They will also examine a programme of economic austerity measures on which the Government is working. The team, led by Mr. Charles Woodward, chief of the Turkish section of the IMF, is expected to spend about 10 days in Turkey. An official said Turkey would request a loan of between \$400m. and \$1bn. Mr. Suleyman Demirel, the Prime Minister, has said that Turkey needs a \$300m. credit to tide it over the 1977-78 period.

Turkey's foreign trade in the first half of this year, \$2,079bn., more than 70 per cent higher than in the corresponding first half of 1976, according to official figures. The central bank's weekly statement put gross and foreign currency reserves at \$566m., a drop from \$1bn. at the beginning of 1977. Mr. Demirel's trip to Washington is expected to be an important step towards securing a loan from the IMF. There are reports that a announcement has been made because of differences of view between the Prime Minister Prof. Necmettin Erbakan principal coalition partner and newspaper Hurriyet reported that one of the causes of disagreement was that Turkey needs a \$300m. of the Turkish lira.

New Greek party formed

By Our Own Correspondent

ATHENS, Sept. 5. MR. CONSTANTINE Mitsotakis, a former Greek Finance Minister, to-day announced the founding of a new political party, to be known as the "Neoliberal Party". Mr. Mitsotakis, 58, served in the Government of the late George Papadreu in 1965, but was one of a group whose desertion caused the downfall of the latter's Centre Union Party, thus setting off the political upheaval which ended with the military coup in April 1967. He had since stayed out of politics.

Tobacco is also expected to be made heavily taxed, partly to raise government revenues and partly to redress the deficit of the State tobacco monopoly. The Government is expected to gather some Frs.500m. from a surcharge on bank profits, although it has apparently abandoned the idea of raising corporation tax in order not to damage further industry's already strongly eroded confidence. However, the special wealth tax first imposed in 1976 and collected this year will be repeated. The remaining extra revenue will come from an acceleration of certain tax payments and the imposition for the first time of taxes on the State lottery.

Left worries Italy Communists

BY PAUL BETTS

THE ITALIAN Communist Party, which for the first time in 30 years is now part of the governing process, is increasingly alarmed at the growing schism between the official party and young, extreme left-wing independent factions, the autonomists. This follows week-end incidents in Milan during the annual Communist Party rally when independent classed police who retaliated with gas. Although the Communists attempted to-day to play down the incident, it has been stated that the "new" party wanted to re-ignite "climatic of terror" in Italy.

ROME, Sept. 5. Communist Party rally when independent classed police who retaliated with gas. Although the Communists attempted to-day to play down the incident, it has been stated that the "new" party wanted to re-ignite "climatic of terror" in Italy.

POLISH POLITICS Trying to involve the people

BY CHRISTOPHER BOBINSKI IN WARSAW

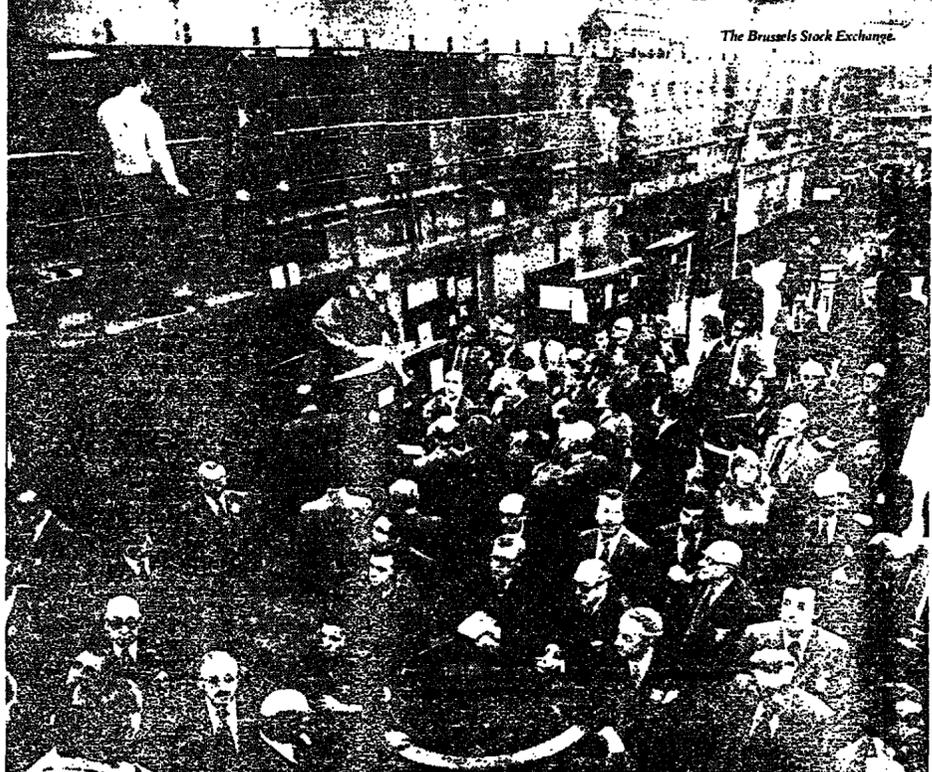
JUST AS Mr. Edward Giersek, the party leader, needed a fair slice of luck, on top of political skill to steer Poland through the coming months, the weather has dealt him a cruel blow. Torrential rains in August flooded nearly half a million acres of grain and gales flattened thousands more, causing damage put at several billion zloties. In less than 48 hours Poland's harvest prospects switched from good to grim and Mr. Piotr Jaroszewicz, the Prime Minister, announced that the disaster could set food production plans back two years. Grain would certainly have to be imported this year, he said, and maybe in 1978-79 as well. This setback is bound to put further strains on Poland's already tightly stretched foreign exchange resources, since much of the grain will have to come from the West, possibly 2m. tons a year. Wheat estimates range between \$7bn. and \$10bn., this is an extra expense the country can ill-afford.

Internal, these new problems will also reduce Mr. Giersek's room for manoeuvre during a winter when he will have to confront pressing negotiations of foreign exchange and credits, as well as the need to make industry more efficient. It is officially admitted that exports are still low, and that many of the imported raw materials are wasted. Investment targets are not being met, and wages have risen more considerably faster than planned. If all this is bad news for the Government, it is just as bad for the consumer. Shortages in the shops continue and industry cannot keep up with demand. Wages in the first half of this year went up by 12 per cent, as opposed to the planned 7.8 per cent. Productivity is low. This is caused mainly by breaks in production caused by raw material shortages, themselves a result of the embargo on imports from the West. But what makes us different from these other banks is our individual attention to each client's individual needs, our inclination to find the same old answers, and our willingness to try out new answers. Like the day we first put a client's name in lights.



Edward Giersek... in need of luck.

Advertisement for Banque Bruxelles Lambert. Text: 'If you want to attract attention in Europe, we can put your name in lights.' Includes contact information for the bank and a logo for '800 Through Service 800'.



The Brussels Stock Exchange.

Advertisement for Banque Bruxelles Lambert. Text: 'If you want to attract attention in Europe, we can put your name in lights.' Includes contact information for the bank and a logo for '800 Through Service 800'.

AMERICAN NEWS

Delay sought on Arctic gas pipeline decision

BY STEWART FLEMING

NEW YORK, Sept. 5. President Carter has asked for a delay until September 15 in his decision on whether to approve a Canadian route for the Arctic gas pipeline...

Venezuela budget of \$9.2bn: for 1978

THE VENEZUELAN Government budget for 1978 will reach \$9.2bn, according to Finance Minister Luis Jose Silva Luongo...

In Venezuela, central government spending, or that which appears in the national budget each year, makes up the bulk of all official expenditure...

FT correspondent held in Peru

British journalist Nicholas Asheshov was detained by Peruvian security forces yesterday, reliable sources told Reuters.

Lance resignation call

THE leaders of a Senate committee investigating Budget Director Bert Lance's financial affairs met with President Carter last night to urge that Mr. Lance resign.

Gromyko SALT hopes

Soviet Foreign Minister Andrei Gromyko said yesterday his country believed a new agreement with the U.S. on strategic arms limitation...

Barbados cement plan

Barbados Prime Minister Mr. Tom Adams, just back from a tour of Britain, Germany and Switzerland, has said that his Government plans to construct a cement plant to meet the island nation's needs...

Gluts weaken Carter oil line

BY JOHN WYLES

NEW YORK, Sept. 5. Crude oil stocks and expected increase in the American market are providing an ironic backdrop to the administration's attempt to convince the American people that oil must now be treated as a scarce resource.

U.S. coal miners ignore call for return to work

BY OUR OWN CORRESPONDENT

NEW YORK, Sept. 5. MORE THAN 7,000 miners are on strike in the last week of the year. The union leaders are ignoring a call for return to work...

ARAGUAYAN POLITICS Slight easing of the iron grip

BY ROBERT LINDLEY, RECENTLY IN ASUNCION

Liberals—the former opponents—gained most of the minority seats. It is likely that the Radical Liberal and Liberal parties will back a single candidate for next year's Presidential election.



Vertical text on the left margin containing various news snippets and headlines.



Commercial ECLIPSE Systems. Because a computer should be a vehicle for growth.

For most companies, buying a computer is a big step forward. So you want to be sure the computer you invest in will keep rolling with your company. That's why you want a Data General commercial ECLIPSE data processing system.

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Data General The shrewd decision.

Camberra signals intention to defend Australian dollar

By Kenneth Randall. AUSTRALIA HAS now signalled clearly to international money managers and speculators that it is prepared to mount a major defence of the Australian dollar.

THE URANIUM DEBATE Fission in anti-nuclear lobby

By our Canberra correspondent. MORE THAN 200 anti-uranium demonstrators clashed violently with police on the Sydney docks last night while a freighter, the Kangaroo, was loading uranium oxide for Britain.



Somalis claim capture of Jijiga

By James Buxton. THE WESTERN Somali Liberation Front claimed yesterday it had captured Jijiga, one of the three strategic towns at the northern end of the Ogaden region where a war is raging with Ethiopian troops and militia.

Arab League agrees on Israel protest

By Michael Tingay. FOREIGN Ministers of the Arab League agreed today on a formula for protest at the United Nations General Assembly against the establishment of Israeli settlements in the occupied territories.

Bhutto bail hearing date

By Simon Henderson. ISLAMABAD, Sept. 5. THE BAIL application of Mr. Zulfiqar Ali Bhutto, the former Prime Minister of Pakistan, is to come up for hearing in the Lahore High Court on September 10.

U.S. expects slowdown in Comecon trade with West

By David Lascelles. COMMODITY shortages and a growing internal demand for all of their strength in both industrial and primary goods. But factors that will limit Comecon's surplus for export.

Israel's U.S. exports up sharply

By L. Daniel. TEL AVIV, Sept. 5. ISRAELI exports to the U.S. this year are likely, for the first time, to exceed the \$500m. mark.

U.K.-Finnish trade boost

By Lance Keyworth. HELSINKI, Sept. 5. BRITISH EXPORTS to Finland in the first half of the current year rose to £174.2m, compared with £136.8m in January-June 1976.

Canada in Jordan project

By Rami G. Khouri. AMMAN, Sept. 5. CANADIAN banks are expected to play the leading role in financing the projected \$250m inland sports complex at the southern tip of the Red Sea.

Exports to the EEC in trouble

By John Stewart in Cape Town. NOT since 1961 when the Gladstone Government revoked preferential duties on Constantia wines from the Cape have South African wine exporters to Britain been in a less favourable position.

Venezuela in \$52m. deal with Spain

PRESIDENT Carlos Andres Perez of Venezuela has announced that the Spanish automotive firm Pegaso (Pegasus) will build a \$52.6m motor plant in Eastern Venezuela.

\$18m. Pakistan plant

ROMANIA will supply Pakistan with cement plant machinery worth \$18m, government officials said, reports AP-DJ from Islamabad.

Iraq buys buses

DAIMLER Benz AG has won an order from Iraq for 400 mini-buses from its Düsseldorf plant this year, a company spokesman said in Stuttgart.

Ghana venture

TAYLOR Woodrow group's international division and Soc Security Bank of Ghana have formed a Ghanaian joint company, Taysec Construction, in Accra, the company will undertake all types of building a civil engineering contracts, DJ reports from London.

Qatar spends \$138m

SWEDISH construction firm S Byggen a \$138m contract for the construction of housing in the Persian Gulf Emirate, Middle East Economic Survey says, AP-DJ reports from Nicosia. Sias will be responsible for establishment of production of tiles for concrete components and will be joined by another Swedish firm which will supply the necessary machinery.

Saudi petrochemical

THE San Francisco-based Bedouin Chemicals has been appointed by Saudi Arabia to carry out preliminary engineering study and design of petrochemical plant in Saudi Arabia's Yama Industrial Center, the Middle East Economic Survey (ME) said, AP-DJ reports from Nicosia.

Machinery orders

MACHINERY orders received from Japanese manufacturers in totalled \$30.862bn, down 1.7 per cent from ¥532.346bn, June and down 0.7 per cent from ¥507.017bn in the 5 months a year earlier, the Jo Society of Industrial Machinery Manufacturers said, AP reports from Tokyo.

Japan car fall

JAPAN'S new vehicle registrations in August totalled 368,000 units, down 4.3 per cent from 387,000 in the like month a year earlier and down 38.4 per cent from 345,401 units in July, the Japan Society of Automobile Dealers announced, AP reports from Tokyo.

May challenge offshore oil

Spending in building

HANDLE BANK

HOME NEWS

J.K. may challenge rulings on offshore oil boundary

RAY DAFTER, ENERGY CORRESPONDENT

GOVERNMENT may challenge the international ruling on the offshore oil exploration boundary between the U.K. and France...

Healey renews 10% sanctions threat

BY PHILIP RAWSTORNE

MR. DENNIS HEALEY, Chancellor of the Exchequer, strongly re-affirmed the Government's intention to use sanctions against companies that broke the 10 per cent guidelines on pay settlements...

Laker complains about forcing Skytrain to fly from Stansted

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

CONCERN ABOUT the increasing competition facing his low-fare Skytrain plan for flights between London and New York was expressed yesterday in London by Mr. Freddie Laker...

More Home News, Pages 8 and 23

Higher spending urged to meet crisis in building industry

PHILIP RAWSTORNE

THE National Executive Committee of the Building Industry today calls for an immediate and substantial increase in public spending on construction...

MR. HEALEY said there was nothing new in using discretionary sanctions against companies which breached the pay policy...

Peachey appoints new chief

BY JOHN BRENNAN, PROPERTY CORRESPONDENT

MR. JOHN BROWN, former national director of Arden Properties, is to become managing director of Peachey Property Corporation in place of Sir Eric Munn...

Fogarty takes over

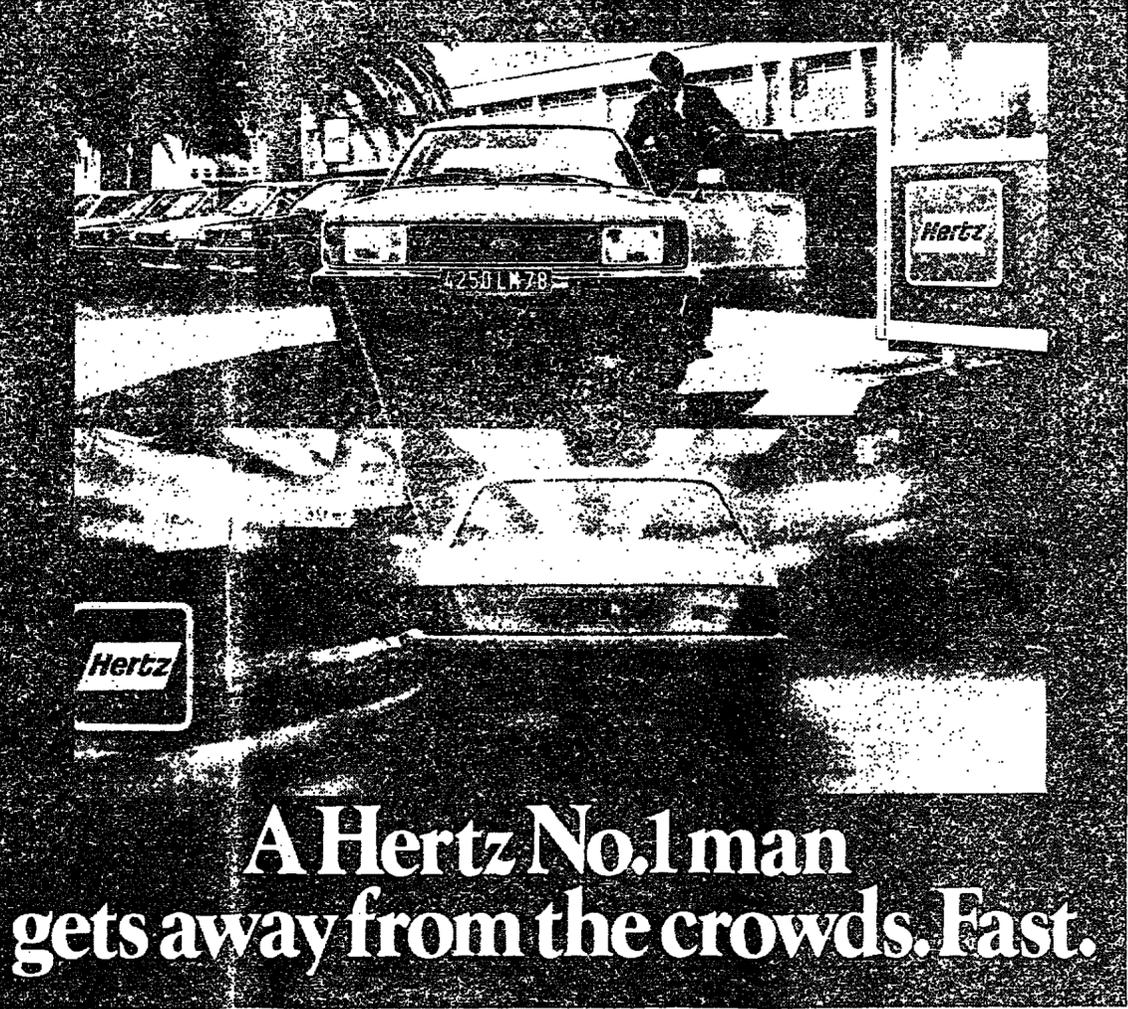
PROFESSOR Michael Fogarty is to take over as director of the Centre for Studies in Social Policy from the end of this month...

We'll show you Italy the business way.

Alitalia's services: more flights to more Italian destinations. Alitalia's organisation: more offices in Italy to help you once you are there.

£1-a-brick for Labour's new £2m. HQ

THE LABOUR PARTY is to launch a £2m. pound-a-brick appeal on September 27 to develop its new headquarters site in Southwark, London.



A Hertz No.1 man gets away from the crowds. Fast. When you rent a Hertz car you're a No.1 man instantly. We don't keep you waiting. You want a car? You get it...fast!

Our bank's ordinary operations in the first half of 1977 resulted in a profit of Kr. 164 million, or Kr. 11 million less than for the first half of 1976.

Hopes dashed On finance raised from the Italian National Bank, whose board included Mr. James Callaghan in one of his 'out-of-office' directorships, LPP acquired a site in Walworth Road, Southwark in 1973.

The Hertz No.1 Club Phone, sign, and go. LONDON 01-402 4242 MANCHESTER 061-437 8321 BIRMINGHAM 021-643 8991 GLASGOW 041-248 7733

HOME NEWS

'Don't ignore human reliability,' say scientists

BY DAVID FISHLOCK AND PETER CARTWRIGHT

TOO LITTLE attention was being paid to human reliability in the design of potentially hazardous systems...

Mirror images

In one case, two control panels had been installed which were mirror images of each other...

The researchers, who are trying to measure human reliability in industrial situations...

The operator could observe danger signs before his instruments instructed the plant to shut down...

He could provide a degree of flexibility to deal with types of failure which could not be anticipated at the design stage...

To what extent he was able to do this depended on how far the system design encouraged the use of his knowledge and skills...

Many analyses of flying accidents and incidents had reached the conclusion that "human error" was responsible for about two-thirds of them...

The statistics described the way in which investigators chose to classify events, rather than the way in which pilots flew their aircraft...

It was far more instructive to interpret a failure as a weakness in system design than as an error in human performance...

Professor Edwards suggested there were four classes of design problem, concerned with relations between the pilot and the rules and operating procedures...

Safely in the air began when every effort was made to ensure that those four interfaces had been tailored to take account of all known facets of human nature...

Women drivers were less attentive than men, more likely to be distracted on the road and to overlook hazards...

The British Association meeting at Birmingham

Brown of the Medical Research Council's Applied Psychology Unit in Cambridge...

Men drivers tended to make their mistakes because of drinking, driving more, speeding, and taking more risks...

Men and women apparently drive quite differently and therefore make different mistakes...

Dr. Brown, Women drivers tended to make errors in attention and perception...

turned into major roads.

ARMY and Navy Stores opened its doors in Victoria Street, London, yesterday after four years of bivouacking in near-by Howick Place.

Most of the 100 departments were moved back at the week-end and the new 147,000 square feet store unofficially started trading yesterday on the site which it occupied for almost 100 years until the developers moved in in 1973.

The store is very different from the Victorian establishment which helped gentlemen the world over feel like gentlemen.

It presents an exterior of cream marble and bronzed glass instead of the old red brick facade. Inside brown and cream are repeated in various shades...

At the cash points there are computer-assisted tills and the merchandise is protected by an electronic security system...

The official opening will take place next month, by which time alterations to the Howick Place building will be completed.

Code takes new line on competitions

BY OUR MARKETING EDITOR

A REVISED edition of the British Code of Sales Promotion Practice, published yesterday, stipulates that where a panel of judges is set up to judge competitions open to the public...

The Code also takes a new line on children taking part in sales promotion competitions where prizes such as holidays, live pets, cash or goods worth £50 or more may cause friction between them and their parents.

Such prizes can only be offered in competitions for children when the rules require parents to give written permission for their children to enter...

NEWS ANALYSIS - ARMY AND NAVY STORES

Lowering the sights a peg or two

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

part of House of Fraser. The Army and Navy property went to Army and Navy Stores, a company half-owned by Amalgamated Investments and Property and half, by International Caledonian Investments...

The store clung to its original principle until 1948 when the exodus of military and government officials from India meant it was no longer viable.

The store was already suffering from the decline of the Empire. It had to resort to technical inventions to get business...

The takeover came 15 years later and Army and Navy, which had already started developing the Victoria Street site, became

of course, had more to do with patriotism than trade, though the store received a 10 per cent royalty from the Government for each trade on both sides of Howick Place again as in the words of the advance publicity - "London's most dazzling new store."

Tin hat

Advertising, as one might have expected from a store owned by officers rather than traders, was banned under the articles of membership. In the 1920s when the store was already suffering from the decline of the Empire...

International's 'Plain' project extended

BY OUR CONSUMER AFFAIRS CORRESPONDENT

SALES OF the "Plain and Simple" grocery products launched by International Stores in July have more than doubled, the company said yesterday.

The idea is to present the 30 "Plain and Simple" products as basic goods which represent the best value for money.

Third gold for company

A SMALL Glasgow manufacturer of wire-mesh filtration equipment has become the first West of Scotland firm to win its third Gold Award from the International Export Association.

Mr. Ian Lyon, the authority's deputy director, said yesterday: "We shall be monitoring schemes and promotions every month to safeguard housewives and other consumers throughout the country."

of the rise in building costs the pegging of office rents, the plans were drawn. It has been the main loser.

The store will trade on floors and will try to put a younger image than that associated with dignified Army and Navy business.

A number of departments women's fashions and the hall, have been expanded new departments such as "Auditorium" have been added.

Main loser

It was agreed that House of Fraser would pay no rent for the Army and Navy store at Victoria while it was re-developed. After that it would have a 60-year lease on the new store with five-yearly rent reviews, the annual rent for the first five-year period being £250,000.

The office floors, which are perched on the new building like a child's plastic blocks, are what made the site so attractive to developers. But the project, which is now effectively owned by the Electricity Supply Industry pension funds, will produce less than was expected because

technical possibility not tried. They argued that tries equipped with civil, and provided with nuclear could not be "genuine" forces in the military sense.

Now that this has been to be a spurious belief of separated plutonium "unsafestorable stock nuclear material" can be acquired by former weapons States.

Prof. Wolkester called British Government to down BNFL's application to construct a reprocessing plant

Plutonium recovered from civil nuclear power reactors in the U.S. has been used in an explosive device built by the American military, according to Prof. Albert Wolkester, professor of Political Science at Chicago University.

He told the Windscale public inquiry yesterday the device was in the 1-20 kiloton range. Details of the explosive were still classified, but he was able to say an explosion had taken place.

Howell to o Kickabout at

MR. DENIS HOWELL, K for Sport, will officially open Tartan Kickabout at Tartan on Tees and M on Monday, Sep 19.

Mr. Howell has long pained for purpose-built areas in highly-populated towns he will visit are the he laid in this country; the nuclear industry had versatile all-weather, sy tended that though it was a surface.



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FT1

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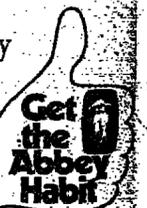
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Map by George Philip and Son Ltd. © 1977.

**Midland Bank International  Delivers.**

TUC '77 Blackpool

Congress Report by Christian Tyler Alan Pike Pauline Clark and Nick Garnett Pictures by Terry Kirk

Second vote ends TGWU confusion

THE MIGHTY fell amid astonishing scenes on the opening day of Congress yesterday, and for about an hour Britain's largest union was suspended from the TUC because of a minor dispute over a public house without beer.

Delegates in Blackpool voted in favour of a motion from the 13,323-member National Association of Licensed House Managers to suspend the 1.9m-strong Transport and General Workers' Union from TUC membership for failing to implement a disputes committee award at the Fox and Goose, a suburban pub in Birmingham.

His opening remarks appeared to misjudge the mood of Congress, and when he expressed surprise that the licensed house managers had raised the Fox and Goose issue in view of some of the serious items on this week's agenda, delegates left him in no doubt that they regarded the implementation of disputes committee awards as serious.

Postal strike action backed

POST OFFICE union leaders have won the backing of TUC delegates in their efforts to achieve a change in the law which would give Post Office workers the right to strike.

The delegates approved a motion calling on the TUC general council to press the Government to amend the Post Office Act, 1953, and the Telegraph Act, 1963.

Proposing the motion, Mr. Norman Stagg, deputy general secretary of the Union of Post Office Workers, said that the Labour Government was committed to amending the Acts, but the Post Office unions feared that their efforts on their behalf could be seriously hampered by opposition in some sections of Parliament.

The present position which makes it a criminal offence for Post Office workers to withdraw their labour, however, remained "intolerably unfair," Mr. Stagg said.

He pointed out that when Post Office workers had taken industrial action under the last Conservative Government no one had attempted to haul the unions through the courts.

The UPW and the Post Office engineers' union feared that since the use of the Freedom of Information Act, 1982, aimed at preventing industrial action by postmen against Grunwick in November last year, and against a proposed boycott of South African mail earlier this year, their hands are tied and they now risk being taken to court on any occasion calling for industrial action by Post Office workers.

Although the disputes committee found in favour of the managers' association, which represents the Fox and Goose manager, transport workers draymen are continuing to block the public house.

It has been without supplies since the committee's award 14 months ago.

Poached

Mr. Harry Shindler, the association's general secretary, was enthusiastically received when he warned that Congress must belong "not to the big battalions, but to all members."

He referred to "Mafia-like actions," claiming that 100 of his members had been poached by the transport workers union.

Then he declared: "There are no two standards of conduct, one for the big organisations and one for the small. If you vote against this motion, you are voting against the rules of Congress."

Aid noisy support for Mr. Shindler, Mr. Moss Evans, general secretary-elect of the transport workers, went to the rostrum to reply.

However, his members felt strongly that the problem at the Fox and Goose was with the employer, and he was not a sergeant-major who could crack the whip and force them to accept the findings.

Obligation

However, the view of many delegates afterwards was that Mr. Evans had, in effect, adopted a sergeant-major role in much of his speech.

Before the vote was taken, Mr. Len Murray, TUC general secretary, stressed that the transport workers had a clear obligation to implement the award. He believed Mr. Evans had done everything in his power to achieve this.

Despite vocal support for the licensed house managers during the debate, there were gasps of surprise when, on a card vote, the move to suspend the union and to implement the award was carried by a 193,000 majority.

Members of the transport workers' delegation, more than 80-strong, stood uncertainly in their seats and appear in the hall, and several senior union leaders tried to intervene.

After a few noisy minutes Mrs. Marie Patterson, TUC president and herself a TGWU official, suspended conference for the General Council to meet.

The union's salvation was provided by Mr. Hugh Scanlon, leader of its biggest industrial rival, the Amalgamated Union of Engineering Workers. Mr. Scanlon—who, it was discovered after a High Court action, does not have a casting vote on his own national committee—explained that his delegation's vote had been miscast.

Protests

When the AUEW card was held up against the TGWU, it reflected the majority opinion of delegates who had been consulted by that time. But when the full delegation had voted, the majority switched in favour of the TGWU.

On this basis—although amid many protests—the Congress general purposes committee declared the vote which suspended the transport workers miscast, and proposed to the resumed meeting that it should be taken again.

Although the bulk of the TGWU delegation stayed on stage left the hall, Mr. Jack Jones, general secretary, Mr. Evans and other senior officials remained, and cast the theoretically suspended union's vote in support of the suspension vote being repeated.

This was carried by 7,170,000 to 4,165,000, and on the new vote the suspension move was lost by 7,680,000 to 3,978,000.

Within seconds the emotionally charged atmosphere which had dominated the afternoon evaporated, and Congress returned to discussing routine organisational matters.



Jack Jones in discussion with Alex Kilbom (centre) and Moss Evans (right).

Grunwick debate to-day

TO-DAY'S business will open with the debate on Grunwick, which was postponed yesterday as a result of the dispute over the suspension of the Transport and General Workers' Union.

Other businesses will concentrate mainly on social issues related to workers and trade unionists, including racial discrimination and equal pay and opportunity.

Coverage of social insurance and industrial welfare is also planned, including retirement issues and those of occupational pensions and unemployment benefits.

Also to be debated are specific problems related to child benefits and one-parent families. Health and safety questions, there is expected to be a full debate on the Health and Safety at Work Act.

PRESIDENT'S ADDRESS

Unions should set example over sex equality

SOCIAL AND economic justice cannot be achieved against a background of public spending cuts, rising prices, and increasing unemployment, Mrs. Marie Patterson, TUC President, said in her opening address to Congress yesterday.

If the movement's social policies were to be fulfilled, the "curse of unemployment" must be dispelled and the economy expanded.

"It is not enough that we have called for every school-leaver to have a full-time job or a training or further education place however well the Manpower Services Commission has responded to this call," she said.

"So long as unemployment is rising and many of the unemployed are and will be school-leavers we are, all of us, diminished."

Mrs. Patterson devoted much of her address to problems which continue to face women and girls in society. The education system must help eliminate barriers for girls by providing a common curriculum for both sexes.

Girls have been shown on leaving school to be particularly ill-equipped for entry into many careers. The fault lies not only in their careers education, but in the failure for boys and girls throughout their school lives.

There is now considerable evidence of the extent to which girls are educationally disadvantaged and the TUC has been concerned to expose this inequality.

Mrs. Patterson reminded Congress that the better the example set by the trade union movement the better would be the chances for women to find their rightful place in their walks of life.

Women made up more than a quarter of the TUC membership and they were under-represented particularly at the Congress and on the General Council.

The solution must be increased participation within their unions. This was essential for two reasons—first, because women were the largest of low-paid workers in country and secondly, because we are to lack diversity in the social issues which the TUC quite properly seeks to represent we people and their families need the support and expertise of every body, women as well as men.

It should be possible, said, to include a TUC opportunities clause in all collective agreements.

"And I must stress, that so long as workers themselves to be against workers for any reason, whether it be race, sex or marital status, then to extent, is the struggle for training and improving the conditions of working weakened and undermined."

Describing the near-unemployed in the U.K. as "totally unacceptable," to can trade unionists, Mr. Turner, from the Am Federation of Labor and Congress of Industrial Organizations, talked of the need to bring Federal Reserves Bank greater democratic control under the wing of Congress.

He attacked the Fed's policy on inflation and economy, underlining the problem was not one of it but one of unemployment.

Mrs. Shirley Carr, from Canadian Labor, Cor launched a bitter attack on Pierre Trudeau, the Prime Minister and the Liberal Government in Canada for allowing a 15 im. unemployed to persist for the continuation of controls.

She said the trade union opposed wage controls to start and now the business community also wanted to return to investment country. But neither Mr. Turner nor the Government listen.

"We have nowhere to fight and we intend to until democracy returns free collective bargaining in Canada."

OTHER LABOUR NEWS

Leyland craftsmen in pressure group

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

SHOP STEWARDS representing nearly 14,000 craftsmen in Leyland Cars voted in Birmingham yesterday to form a group to press for improved pay and differentials for skilled workers.

The new group immediately invited the unofficial top-makers committee to join forces in seeking recognition from management.

Stewards from 26 of the 34 Leyland plants attended the conference and agreed to set up a national committee to advance their aims. At least 10 trade unions are represented on the unofficial body.

Mr. Bill Fitzpatrick, a Longbridge senior steward and the conference spokesman, said the movement reflected the dissatisfaction of skilled men at the way their pay and status had declined in relation to production workers.

Craftsmen had been treated as second-class citizens for many years. Resentment was "brimming over" to such an extent that it was difficult to know whether the shop stewards or anyone else could contain it.

Mr. Fitzpatrick stressed that the craftsmen wanted to pursue their objectives by persuasion and negotiation and not jeopardise the jobs of colleagues.

"We have no intention of becoming a splinter group to smash Leyland into the ground."

The proposed national committee, which will seek to attract representatives from each of the 34 plants, will meet next week to draw up a constitution and elect officers.

The committee will explore whether its aims could be achieved within the company's proposed package of industrial relations reforms.

The unofficial body is certain to meet with a rebuff from Leyland management, which is determined not to allow separate wage agreements for particular groups of workers.

Shop stewards, particularly those from the Amalgamated Union of Engineering Workers, could also run into opposition from national union executives.

Mr. Fitzpatrick was optimistic that the Leyland toolroom workers would join the craft grouping.

Rover and Swindon, the two big Leyland divisions which refused to join the month-long strike earlier this year, both attended yesterday's conference.

At Lucas, where the strike by 1,200 toolworkers has made 25,000 motor-industry employees idle, a group of women made renewed efforts to seek a breakthrough. About 60 women, demanding a return to work, demonstrated outside the King Street headquarters, in Birmingham and a delegation met management.

The return to work by strikers at the Jaguar engine plant, in Coventry, gathered pace yesterday. The 50-strong maintenance section which voted on Friday to call off action in pursuit of a £20-a-week wage claim was joined by about 100 other workers.

Pub 'dry' for two years

THE Fox and Goose, a mock-Tudor public house in Birmingham's Washwood Heath district, has been "dry" for more than two years.

Blacking action, started by Transport and General Workers' Union draymen in July, 1975, had reduced trade dramatically at a once thriving tavern.

Customers in the 50-seat steak bar, where only soft drinks are available, have dwindled to a handful. The pub was built in the 1930s by Ansell's during its expansion programme.

Two years ago, there were arguments between the draymen and the manager, Mr. Tony Collinson. Ansell's eventually suspended Mr. Collinson on full pay and brought in a relief manager.

The case was taken up by the National Association of Licensed House Managers. In August last year, following an investigation by the TUC disputes committee, Mr. Len Murray, TUC general secretary, urged the draymen to end the blacking. His call has been ignored.

Mr. Bill Clutton, the present manager of the pub with no pay, claims that because he is a member of the licensed managers' union, draymen have refused to deliver to the Fox and Goose.

This approach, known as the constituency solution, was rejected yesterday by the Society. It based its claim for a seat on the fact that it is the second largest union in two of the Post Office's businesses, Data Processing and Giro, as well as occupying important positions in Posts and Telecommunications.

It claims that any seat allocation which used the union's numerical strength as its basis would be grossly discriminatory against management unions in any industry.

The issue must be resolved next week, when the Council of Post Office Unions meets to adopt a formula for representation. The Society is under considerable pressure to compromise and adopt the constituency solution, but shows no sign of being willing to do so.

Because of the importance with which the Government has invested this experiment in industrial democracy, it is felt by the unions that whatever solution is reached will tend to be regarded as a precedent by other industries.

So far, the negotiations over seats have shown a certain degree of animosity between manual and skilled unions on the one hand, and management unions on the other.

ASTMS report attacks industry

By Nick Garnett, Labour Staff

A RATE of inflation little more than 10 per cent next year, but relatively poor prospects for economic growth, and a continued rise in unemployment are the main predictions in the Association of Scientific, Technical and Managerial Staffs.

A large part of the review is taken up by a severe general attack on industry which, the union says, has failed to utilise increasing profits for investment.

Mr. Clive Jenkins, the union's general secretary, also said at Blackpool that he believed the economic recession in Britain, and probably worldwide, would deepen.

The review argues that the inflation rate will probably be about 12.5 per cent by the end of this year and could be about 10.5 per cent by the end of 1978.

But it says that in spite of rising profits manufacturing investment is very low and long-term economic prospects poor.

The union envisages that manufacturing investment will rise by between 5 and 7 per cent this year.

Growth in the gross domestic product, which the union expects to work out at about 1 per cent through 1977, will be only slightly better next year.

Industrial output will pick up in tandem with consumer spending next year.

The review predicts a level of overall unemployment near 1.75m. by Christmas.

Mr. Jenkins said yesterday that billions of pounds worth of profits were "sloshing" around and by not ploughing the benefits into a "profits explosion" back into manufacturing, industrial leaders were acting like economic saboteurs.

Plan to resolve P.O. participation dispute

BY JOHN LLOYD, INDUSTRIAL STAFF

PROPOSALS aimed at ending the discussion over the allocation of seats to worker directors on the Post Office Board have been circulated to the unions involved.

They are particularly relevant to the Society of Civil and Public Servants, which is threatening to regard by Government and unions as an example of industrial democracy throughout British industry.

The issue to be resolved is how the management unions in the Post Office are to be represented on the reconstituted Board, which will have seven seats for worker-directors.

The Union of Post Office Workers and the Post Office Engineering Union, representing 75 per cent of the Corporation's 400,000 employees, are claiming two seats each, the Civil and Public Servants Association claims one, leaving two for the five small management unions.

The Society has adopted a hard line on these claims, holding that it deserves a seat of its own. The proposals now circulating, which emanate from the UPW, point out that if the Society were to take share by one of the two management union seats, its 8,000 Post Office members would be better represented in numerical terms than the big unions would.

Representatives of 700 maintenance men employed by the Greater Glasgow Passenger Transport Executive yesterday submitted a 20 per cent pay claim—and gave a warning that they would not rule out industrial action in support of it.

The men, maintenance workers, engineers, electricians and vehicle builders at nine bus garages, at present earn £50 a week.

As well as a £10 increase they are also seeking average earnings to be paid during holidays, the present three-week holiday to be increased to four weeks, a reduction in the work week from 40 hours to an as yet unspecified figure, and extension of free travel.

Mr. John Lyons, joint shop stewards' secretary, said that the management had already indicated that it would stick to the 10 per cent Government guidelines but he said: "The men are fairly determined and we would not rule out industrial action."

Bus workers' pay claim

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Mr. John Lyons, joint shop stewards' secretary, said that the management had already indicated that it would stick to the 10 per cent Government guidelines but he said: "The men are fairly determined and we would not rule out industrial action."

New air strike move likely

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

NO MOVES emerged from either side in the air traffic control assistants' strike yesterday, as it severely disrupted air travel at a time of peak holiday traffic.

It has also come at a time when the French and Spanish air traffic controllers are disrupting air traffic over their territories in pursuit of their own claims for higher pay and better working conditions.

Yesterday's flights from Heathrow appeared to be affected most by the problems with the French and Spanish air traffic controllers, and by aircraft in the wrong positions after the heavy week-end and traffic delays.

But with the U.K. strike likely to last at least a few more days, the airlines, including British Airways, have developed their own operational plans for dealing with it.

While it is admitted that cancellations will continue, especially on short-haul flights, overall

the situation is that only about 40 per cent of the time-table is in fact being cancelled.

The worst-hit areas are the U.K. domestic operations, where flights on all are being cancelled on the routes between London and Liverpool, Leeds-Bradford and Newcastle, and very few on the Manchester route.

The London to Glasgow and Edinburgh shuttles are running at two-hourly intervals, with no back-up aircraft.

The other cancellations are mainly on the short-haul international routes to the Continent. Long-haul flights are running close to normal, with not more than about four cancellations by British Airways a day.

Would-be passengers are advised to telephone 01-759 4848 for information on short-haul European and domestic flights, and 01-759 2825 for long-haul intercontinental flights.

PULLMAN INC. FIRST SIX MONTHS RESULTS

Pullman Incorporated—For the first six months of 1977, the Chicago-based international corporation reported a net income of \$14,578,000 (1.33 per share) on revenues of \$897,278,000. A special provision of \$3,120,000 (0.28 per share) relating to the New York City subway car contract reduced earnings which had reached \$19,082,000 (1.75 per share) for the first half of 1976.

During the second quarter of 1977, Pullman Incorporated received orders for more than \$1,000 million which brought total Pullman backlog to a record level of \$4.100 million. Pullman Incorporated declared a dividend of 33 cents per share for the second quarter.

It has maintained a record of consecutive cash dividends for the past 110 years.

HISTORY TODAY! Edited by Peter Quennell and Alan Hodge. The SEPTEMBER issue includes: NANA SAHIB AT GAWNPORE, 1857 Christopher Hibbs; COBBETT'S VIEWS ON SCHOOLS Molly Townse; MATTEO RICCI IN GHINA, 1583-1610 Nora C. Buckl; THE LAVALLETTE AFFAIR, 1815 Michael Glou; THE STRAND BLOCK OF SOMERSET HOUSE, Part II Sonia and Vivian Lipman; BRIGHTON CHAIN PIER L.W. Cowe. NOW ON SALE, 50p. Annual subscription £6.70 (US\$16.00) for 12 issues including postage from Bracklen House, Cannon Street, London EC4P 4BY.

Handwritten signature or note in a box at the bottom of the page.

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## METALWORKING

### Evaluating cold forging

WHILE COLD forging of some products is technically feasible but not yet economically competitive, for other components the limitations are purely technical.

To investigate why this process, despite its saving in material costs, has few commercial applications, the National Engineering Laboratory (NEL) has reviewed present knowledge of the field (citing 65 references) and has evaluated possible developments in cold forging.

Each stage in the process adds to product cost, and the proportional cost of each stage varies with the product and the batch size. More accurate information is needed on the functional performance required of engineering products so that the most cost-effective method and manufacturing route for a specified performance can be established.

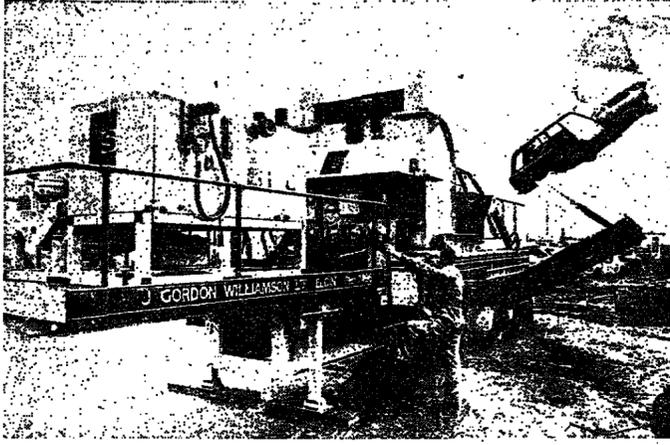
Bill preparation accounts for a significant part of the total production cost. Using powder metallurgy techniques to produce sintered or hollow billets, and intermediate preforms, could

save much of this cost, not least by reducing the number of operations needed.

Each forging requires appropriate tooling and often additional heat treatment, both of which can be costly.

NEL says that the scope for saving in other areas appears to be limited, particularly if the starting material, rather than the product performance, is specified. Tooling performance is a critical factor in assessing the commercial feasibility of cold forging and only large product batches can justify the additional cost of carbide tooling. Methods of increasing tool performance by reducing tooling stresses or by improving tool material should be considered. Tool material obtained by powder metallurgy shows promise but its practical performance has yet to be established.

Further information is available in Report No. 629 (Possible developments in the cold forging of steel by M. T. Watkins), NEL, East Kilbride, Glasgow and intermediate preforms, could



This mobile shear baling press produced by Longton Machinery Supplies, Walton Summit Centre, Bamber Bridge, Preston, Lancashire, is claimed to be capable of reducing car body shells into six 12-inch bales in about 10 minutes. It is mounted on a tandem-axled step-frame semi-trailer built by Municipal Trailers.

## COMPUTING

### Aid to ship operation

ADDITIONS to the computer services available to the shipping industry and others interested in sea transport have been announced by Y-ARD of Glasgow.

The first, called Invasp, is a financial evaluation program using established investment appraisal techniques, for either single ship or combined fleet operations. It is aimed at those organisations that do not have their own computing facilities but need to undertake an extensive appraisal that would otherwise take up an unacceptable amount of executive time.

The second program is called Tands and is an extension of the company's existing trim, stability and longitudinal strength program.

Both programs are available using the company's own computer. From a suitable terminal they can also be run over a telephone line to the Systemsare Computer Bureau in Edinburgh. They can also be adapted to suit a client's own computer installation. More from Y-ARD, Charing Cross Tower, Glasgow G2 4PP (041 204 2737).

## COMMUNICATION

### Versatile base unit

INTENDED as a base transmitter for working with mobile and portable transceivers and with pagers is a 25 watt solid state vhf unit from Pye Telecommunications.

This amplitude modulated transmitter is suitable for simplex or duplex operation over the frequency range 68 to 174 MHz and uses a linear amplifier in the output stages.

It has been designed with low intermodulation products and so can be safely used on multiple

## HAND TOOLS

### Designed to give a strong grip

AN IMPROVED and strengthened version of the toggle pliers made by HMC-Brauer has been launched. The device is a quick-action lock-on industrial clamp-

transmitter sites without interference problems. Known as the T401, the transmitter can have a special module, fitted retrospectively if desired, to ensure that only those mobiles fitted with an appropriate decoder will receive the message. This feature is particularly valuable to users sharing the same frequency.

The company is announcing at the same time a companion base station receiver. Among its advantages are the ability to receive signals of high modulation with low distortion, and a low level of spurious responses.

The unit also has high selectivity, good signal to noise performance and outstanding protection against blocking and intermodulation. More from Newmarket Road, Cambridge (0223 81222).

## PROCESSING

### Nickel stripper

WHEN FOR some reason articles have to be re-plated, it is first necessary to strip the existing electrodeposits.

Latest product for the immersion removal of nickel and nickel alloy deposits is Nimstrip. Made by W. Canning and Co., Great Hampton Street, Birmingham B15 6AS (021-238 8621), it does not contain cyanide or other complex organics usually found in this type of product.

The maker says Nimstrip is effective for the removal of electrodeposits, both of which are notoriously difficult to remove. Deposits may be removed from steel and copper alloy components with only a minimum of attack on the base metal.

## CONSTRUCTION

### Efficient pile driving

ENABLING THE pile-driver operator to adjust his controls to maintain optimum performance consistent with the soil conditions, is an electronic monitor for steam hammers.

The device measures the terminal velocity of the ram. A transducer attached to the hammer breaks a light beam, and the length of time the beam is broken can be measured to within 100th of a millisecond. A chart recorder prints the number of each stroke, and the stroke continues to monitor performance. The plotted indicates the rate of penetration.

The equipment has been developed by Fugro, of Ruislip, Middlesex (081 30791), a geotechnical engineering consultants, for use in their own surveys, in particular in connection with offshore structures.

The company, a subsidiary of Fuoro-Cesco BV, Holland, says "Soils in the North Sea can be very hard and present a formidable pile-driving problem. It is important to be able continuously to monitor performance during the operation."

A prototype has been used for a Menck steam hammer during an offshore test at Hamburg.

## CONSTRUCTION

### Amphibious excavator

USING TWO box section pontoons, and the company's 360 degree excavator, the Hitachi Construction Machinery Company of Tauchira, Japan, has developed a self-propelled soft terrain vehicle capable of working on water, marsh and wasteland.

The lightweight boom is 13 metres long and can be fitted

## INSTRUMENTS

### Quick check on speed

ROTATIONAL speeds from 100 to 20,000 rpm can be measured from a distance of one metre using a portable battery-operated tachometer introduced by Kent Industrial Equipment (Travis Instruments).

Resembling a small cine camera with pistol grip the instrument is easy to use. The operator simply presses a trigger and aims the light beam at a reflective target attached to the shaft to be measured. A point of light on the digital numerical display glows when the light beam is on target and the measurement that takes place is to an accuracy of ±1 revolution. Proximity sensors are available as an alternative to the optical device and these can be used in tandem to provide accurate measurement from several points to a central position.

Power is from two HP11 batteries. Overall dimensions of the tachometer are 148 x 82 x 44 mm and the weight is 775 gms. A high speed version (up to 100,000 rpm) is available. More from Park Road, Barnet, Herts. (01-440 7161).

## CONSTRUCTION

### Big digger from U.S.

NOW AVAILABLE in the U.K. is the T.800 crawler trencher built by Vermeer Manufacturing in Iowa, U.S. The machine is capable of digging 8 ft deep, 3ft wide trenches.

Track width is 8 ft, and the machine travels on 22-in wide track pads. Final track drive is completely enclosed. The maker says that trenching speeds of 10 to 15ft/minute can be achieved.

Driven by a 100 hp Detroit diesel engine, the unit uses a double digging chain system, and can dig at four speeds plus reverse. Independently of ground speed.

Marketing in the U.K. is by Metaquip, Blandford Heights, Blandford Forum, Dorset DT11 7TE (02582 4226), and the price is likely to be around £35,000.

## COMPONENTS

### Connects plastic tubes

FLANGELESS CONNECTION of high pressure narrow bore plastic tube can be carried out with a connector available from Biolab, 51, Norfolk Street, Cambridge CB1 2LE (0223 68941).

It is stated that the unit incorporates a tube gripper which allows tube-to-tube joints to be made capable of withstanding pressures up to 1000 psi.

Called Omnit, the connectors are of polypropylene (or for corrosive high temperature environments clear Tefzel). An assembled connector each tube end has a fitting of Teflon encapsulated in stainless steel, offering a large sealing surface. The seal is Teflon-to-Teflon, which in normal use is the only material in contact with the fluid. Repeated connect-disconnect operations are said not to affect sealing integrity.

## COMPONENTS

### For sterile filtration

INTENDED FOR the pharmaceutical and allied industries, a small filter assembly said to combine the advantages of large-area membrane cartridge filtration with the economics normally associated with flat-disc membrane filters, has been introduced by Pall Filtration.

Called Sealkeeper, the assembly incorporates a small disposable cartridge of either one or two square feet effective surface area in a stainless steel housing 9 inches high by 3 1/2 inches diameter.

It is stated to achieve removal ratings down to 0.2 micron absolute, making it suitable for small volume critical filtration applications such as the sterile filtration of drugs, or of sera and other biologicals and solvents.

The maker is at Walton Road, Portsmouth PO6 1TD (07018 70801), a subsidiary of Pall Europe.

## Flexible workholder

IT HAS been proved that NC machine tools are an economic proposition for small batch work as well as longer runs, but an aspect that is labour-intensive and expensive, especially for small batches, is the making of jigs and fixtures.

One solution to this problem is the universal workholding system developed by Wharton and Wilcox, of Hertford. It consists of a range of elements, finished to a tolerance of 0.0003 inches, which can be assembled in a variety of combinations to hold almost any size and shape of component.

When a batch is completed, the fixture is photographed and the parts used are listed, so that the fixture can be readily re-built if it is again required.

Two basic systems are available, one for general machining and one for numerically-controlled machines. With the first, bush plates and similar tooling guides are included, which are not needed for the NC set. Standard bush plates can be supplied which fit all major NC machines on the U.K. market. The sub-plate datum relates to the machine table datum.

The maker reports that typical users of the Wharton Aircraft Company investigated 920 fixtures built with the Wharton system, and found that labour saving totalled 16,000 man-hours and costs were reduced by 78 per cent. Cost of a system, which is made to order, is between £3,000 and £5,000.

Marketing is by B. O. Morris, Briton Road, Coventry CV2 4LG (0203 455014), a Cope Allman International company.

## Casting and pressing

U.K. LICENCEES for metalworking equipment are being sought by two Canadian companies through the London office of the Ontario Ministry of Industry and Tourism.

One company is offering a system of metal casting which it says combines the lower tooling cost of the sand method with the higher quality of pressure die casting. Known as the Rant graphite-mould gravity die casting process and developed by Rant Processes Inc., it is being offered as a straight equipment purchase or equipment plus technology royalty/training package with or without a licensing arrangement.

The other equipment is made by Richard B. Whiting Sales and is for punching, pressing, forming, clamping and shearing. It

## High speed lathes

AVAILABLE IN two sizes, the Mini and the Maxi, an automatic electro-hydraulic chucking lathe has been developed by Sinaro Machine Tools, of Huddersfield (0484 41523).

Chuck capacities are either 160 to 200mm or 250 to 315mm. Either pneumatic or hydraulic chuck control is available, with repetitive gripping accuracy within 0.001-inch. Stated to need only unskilled labour for loading, the lathe has a maximum spindle speed of 3600 rpm and a traverse speed of 300 in/min.

Because of the high rpm the lathe is fitted with Pratt Burnerd lightweight power chucks. Aluminium alloy is used in the chuck body and jaws to reduce weight. The lathes are electrically controlled using a variable sequence relay system designed by Pratt Electric, and include a safety feature that clears a tool from the workpiece in the event of an emergency stop.

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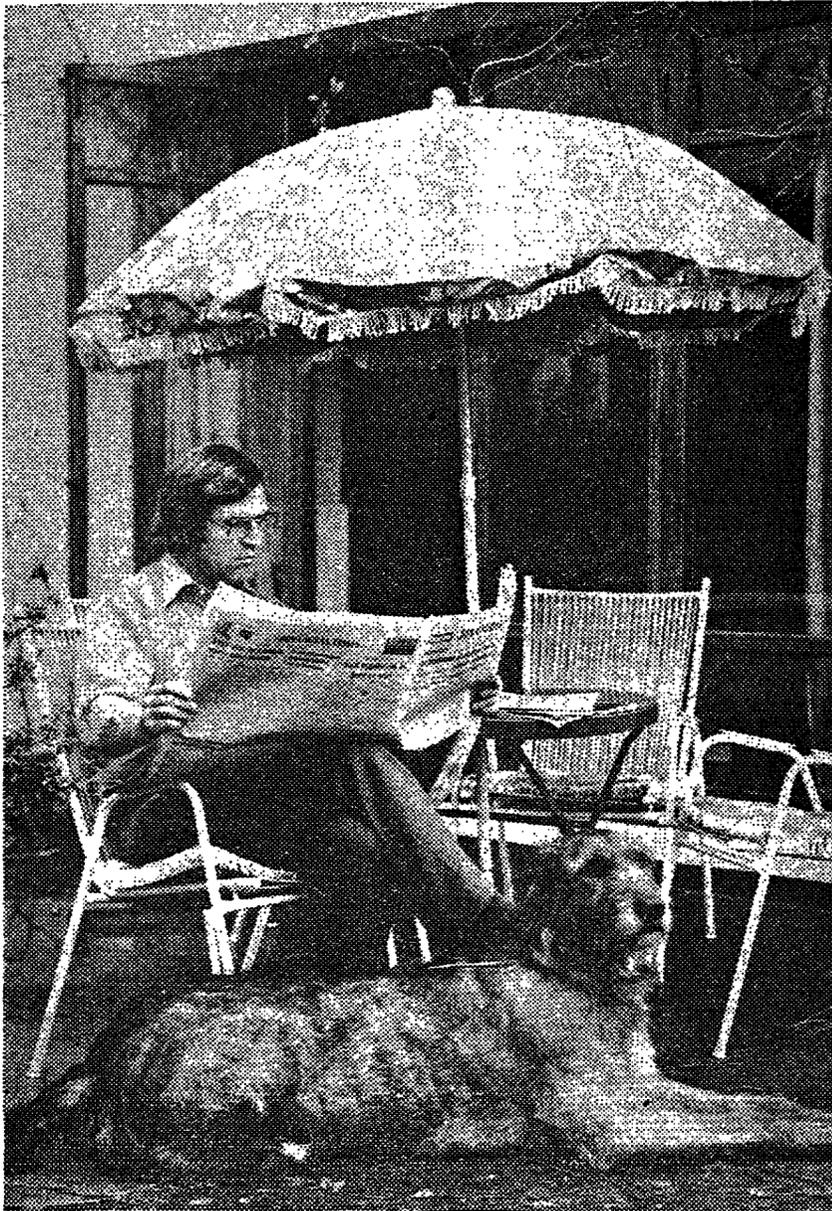
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# FINANCIAL TIMES SURVEY

Tuesday September 6 1977

# Pensions

Next year sees a major social advance with the introduction of earnings-related State pension scheme providing cover for all. The private pensions industry once thought this would sound its death-knell, but as this survey shows the evidence is for continuing support role for this sector.

## Dawn of a new era

By Eric Short

WE ARE now at the threshold of a new era in pension provision in Britain. Next April the new State pension scheme comes into operation ensuring earnings-related pensions for all. After two decades of political infighting, when each attempt to introduce an earnings-related scheme by the Government of the day was thrown out by its successor, this present scheme has the acceptance, if not the blessing, of all political parties. What ever may happen on the political scene over the next six months, the start of the new scheme is assured.

But even more important, the structure of the scheme has given occupational pension schemes an important role to play in providing pensions. No longer will private pension provision be regarded as the rival of State provision. The way has been cleared for a partnership between the two sectors.

The fears of the pensions industry that the Labour Government was by its hereditary pledge to destroy it, fears that were justified in the past by the outspoken attack by the late Mr. Richard Crossman in the 1971 Eleanor Rathbone Memorial Lecture, have finally been dispelled. The late Mr. Brian O'Malley, the Minister of State responsible for much of the design of the new State scheme, did a lot to ensure that this partnership would be real and lasting.

The shackles and frustrations of two years of pay policy were formally removed last month. Pension scheme improvements are once again subject only to Inland Revenue limitations and even now it is difficult to understand why the Government felt obliged to impose them in the first place. Employers, employees and their trade union representatives can now negotiate for worthwhile pension levels in time for implementation by next April.

It is probably too late for employers to do much about deciding the future of pension provision for their employees—whether to stay in the State scheme or contract-out. Even though April may still seem light years away on some time scales, it is very close considering the amount of work that is required to get out of the State scheme. But it is as well to reiterate briefly what is involved.

The new State scheme will provide a pension in two parts. The first tier will be the present flat rate pension which

everyone will receive irrespective of whether they get a company pension or not. The second tier will be based on a person's average career earnings (revalued for movement in earnings) over his best 20 years. Employers have the option to contract-out of this part and replace it by a company pension scheme. But to do this certain conditions must be fulfilled.

First, the benefits provided by the company scheme must conform to minimum standard levels laid down by the Social Security Pensions Act 1975 and ensure that no individual employee is worse off from the decision to contract-out of the State scheme. This involves very complicated procedures for employers who change jobs. Secondly, the employer cannot discriminate on grounds of sex or age as to which employees will contract-out and which will stay in the State scheme. Thirdly, the employer has to consult with his employees and their trade union representatives over the decision to contract-out.

On this last condition, the Act does not define what constitutes consultation, but the trade unions are in no doubt that it means full-blooded negotiations. Failure to conform to this consultative procedure will result in the Occupational Pensions Board (OPB) withholding a contracting-out certificate. Companies are finding that consultation with all relevant groups and unions is taking far longer than was originally anticipated and is the main cause for the slowness



The first contracting-out certificates to be issued by the Occupational Pensions Board at a ceremony last July. Left to right: Mr. K. G. Smith (British Steel Corporation); Mr. G. H. Goodwin (Richardsons of Leicester); Lord Allen of Abbeydale (chairman of OPB); Mr. C. M. Caragey (Scottish Widows' Fund); Mr. D. M. Potter (Whitlome Plant Hire).

in companies getting clearance from the OPB.

If employers are still deciding what to do then almost certainly they are keeping their employees in the State scheme by default. But whether employees are using the State for pension provision by design or default, their task does not end there. The State scheme, despite its complicated benefit structure, has several gaps in it, and there is a strong need for employers to supplement the State provision.

The biggest gap as far as one earning more than about 1.1 times national average earnings is the absence of any lump sum will receive the same pension provision, either on death while still employed or on retirement. The State planners showed the tendency to give an individual providing a low benefit accrual rather than what he wants, and any allowance for service prior to 1978. For the older hand to cash payments over some future period, some supplementary provision is needed.

Life companies have been active in promoting off-the-peg schemes designed to provide lump sum benefits, so this gap

should be easy to fill. The Confederation of British Industry and the British Institute of Management have both made arrangements whereby their members who are staying with the State scheme can supplement the benefit provision.

It is perhaps ironic that company pension schemes have been given their charter of freedom at a time when investment conditions are unfavourable for their operation. Since pensions are linked to final salary, this in effect means that they are linked to salary inflation while the employee is working. Now that the new State scheme provides index-linked pensions for the second tier, there is likely to be strong pressure for all company schemes to follow the example of the civil service and public board schemes and index the whole of the pension being paid after retirement.

But since company schemes are for the most part funded, it needs a real return on investments to keep pace with inflation; otherwise the employer has to make up this investment deficit. There has not been a real return on investments for some years, and whether it will come again is growing more doubtful. The problem could be made worse if investment direction were to be imposed on pension schemes. One gets the feeling that some companies would have welcomed the imposition of an all-embracing State scheme if only to stop their hands from shaking.

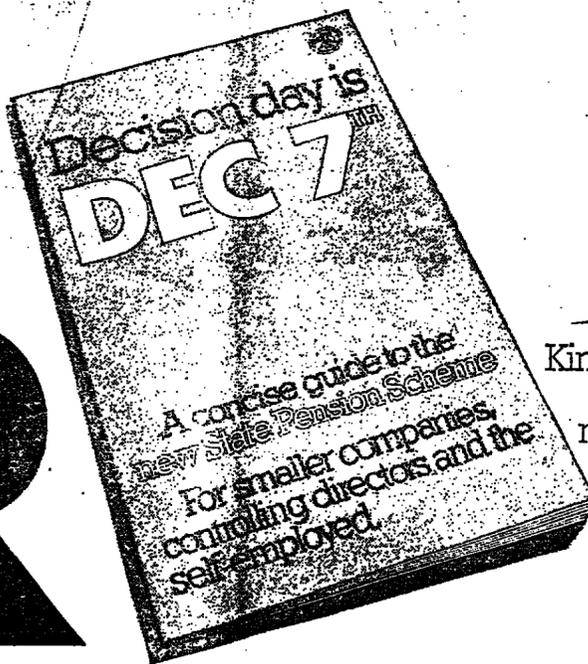
What of the future after April 1978, is out of the way? One noticeable feature of the past few years is the growing

involvement of trade union company pension schemes has now become accepted as an integral part of an employee's remuneration and thus a bargaining point around negotiating table. But unions are seeking a role in the running and management of the schemes themselves with equal representation on all management Boards. Government has prepared a Paper which proposes to give trade unions the right to nominate the members' representatives to 50 per cent of the

These proposals have been bitterly opposed by sections of the pensioners' try and by employers' unions. When the ultimate appears it will be a return to the political arena. What is certain is that members of pension schemes are going to become more closely involved in the legislation or by evolution.

Then again, the Government has grandiose plans for dissemination of information to members about their pension scheme. Whether the members themselves want to be with documents, booklet or other pieces of paper has been ascertained. But pension managers regard it as one more burden on already overloaded backs. It is needed is several years from legislation so that the Act and its consequences be digested. But it is probably wishful thinking

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# PENSIONS II

With the arrival of the State pension scheme there will be a growing demand by employees and unions for closer involvement in company decisions. As DAVID CHURCHILL points out below, the unions will look on this as a logical extension of their growing role in society; DAVID WRIGHT stresses the need for better employer/workforce contact.

## High on the unions' list

THE past two years of a closer liaison over the past few years between the union movement and Government has shown that unions are more prepared to take a long-term view. Many consider it important to safeguard members' pensions as an era of high inflation and uncertain economic development.

### Aware

The other reason is that unions nowadays are more than ever aware of their broader role beyond just maintaining job security and improving pay. Unions are now actively involved in such issues as health and safety, social insurance, racialism, energy, transport, and many other areas where only a few years ago they had no positive policy. "Pensions is high on the list of major involvements."

Perhaps the most public display of their greater involvement has been in the TUC's determination to see the Government press ahead with plans for union participation in pension funds.

These plans were spelled out last year in a White Paper, and have since been subject of intense controversy in the pensions industry. The White Paper accepted most of the suggestions put forward by the Occupational Pensions Board on

ways of improving employee participation in pension funds. But instead of accepting the idea of a Code of Practice, as put forward by the Board, the Government instead put its faith in legislation.

In the White Paper the Government philosophy is clear. To achieve effective employee representation on pensions funds, only independent trade unions should be represented. This means that employees who are not members of trade unions will not have representation on the funds.

The approach most likely to work, argues the White Paper, is to give recognised independent trade unions the right to 50 per cent of the seats "on all bodies concerned with the general management of occupational pension schemes, such as bodies of trustees or specialist management committees, or bodies of similar character."

Companies that fail to adhere to the legislation could face fines or be forced to stop deducting contributions compulsorily from employees' pay.

According to Mr. Harry Lucas, who is responsible for pensions at the GMWU, the reaction to the Government's proposal has been "hysterical."

masterminding the Government's proposals has already in fact indicated that when legislation is introduced it will provide for union members within a company only to serve as a trustee. But Mr. Orme will refuse to budge on the issue of union representation only, leaving non-union employees out in the cold.

The main opposition to the Government's proposals has come from the CBI. It describes the White Paper as "little more than an edited version of a TUC pamphlet."

To support its opposition, the CBI has carried out two major surveys on pension fund participation. A survey of 100 major companies revealed that of the 1.6m. people in membership, 43 per cent (700,000 members) already have full participation in scheme management, while 11 per cent (180,000 members) have partial participation in that the management body is not responsible for control of investment.

He adds: "Member trustees should also be members of the pension scheme—unless the members decide otherwise—and have a legal duty identical to that of other trustees, that is to act as reasonable and prudent persons in the best interest of the membership as a whole."

Mr. Stanley Orme, Minister for Social Security who is

ment proposals to give trade unions the sole right to appoint half the management bodies of schemes on the grounds that it would upset existing arrangements, disenfranchise employees who are not in trade unions, and put the control of pension funds in the hands of a small and unrepresentative minority.

An earlier independent survey of public attitudes, carried out for the CBI, showed that seven people out of ten dislike the Government's proposals. And more than eight out of ten believe all members, not just trade unionists, should be represented on pension scheme management boards.

The CBI has therefore appealed to the Government to withdraw its proposals on the grounds that a majority of people are opposed to them and that no case has been made out in support of them.

Although a change of Government would seem likely to be the end of the specific proposals for union representation on pension funds, there can be no doubt that the trend towards more greater union involvement will continue.

As Mr. Ray Buckton, a member of the TUC's Social Insurance Committee and general secretary of the train drivers' union, ASLEF, says: "Work people will become increasingly insistent on their demands for a proper share of control of their money held in pension funds."

Earlier this year the National Union of Bank Employees started industrial action against the Standard Chartered Bank to prevent a clawback of non-contributory benefits from employees, and also in support of its hopes to win pension negotiating rights.

With 65,000 occupational pension schemes in Britain, and some 11.5m. members, the unions are fighting for high stakes.

The CBI believes that the introduction of legislation would impose an undesirable rigidity which would inhibit the development of these voluntary arrangements. In particular the CBI is opposed to the Govern-

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## Employers need to keep the message simple

IT HAS always been a matter of fact that a better supply of information between employer and employee on the complex state of pensions, but given the need has become that greater. Under the Social Security Pension Act of 1975 consultation with the representatives now have to decide whether they intend to contract out of the State scheme. Since at certain levels the Government is also anxious to improve the level of communications once the company leaves its operational and their representatives are fully satisfied when the pension is made. That can be achieved by a high standard of communications.

The Government, of course, insists that an employer must give three months' notice of his intention to contract out of the State scheme or not. This must be sent to the employees and their union representatives. There is also a requirement for consultation with the representatives on matters covered by the notice, including any alterations that may arise from the event of a contract out proposal.

Any eligible employee joining a company needs to be given a written outline showing the main benefits and conditions of the in-house pension scheme within three months of joining the company. Once the member actually joins the scheme the more detailed information needs to be given including the role of the trustees.

Such matters as a copy of the annual accounts together with the auditors' certificate and details of the scheme's investments. An actuary's certificate would also need to be given regarding the last valuation, while an indication of the investment policy being followed should be supplied.

These statutory requirements will obviously make communication that much more difficult and problems similar to those seen in the past are bound to crop up again.

Many companies at some stage or other have issued explanatory booklets but these are seldom read. By and large these booklets became too bulky and rather than explain the function and benefits of the scheme in simple language they ended up very hard to read.

This resulted from the tendency to cram in too much information. Because the trust deeds and rules are almost incomprehensible to the bulk of members there was an urge to use the booklets for reference purposes as well as a way of explaining the scheme to members. This in turn meant that the employer put as much information in the booklet as possible for fear that some important legal matter might be omitted and he taken to court. So with each successive edition the booklet tended to get larger, and far from being the easy read that was originally intended, the booklets became nothing more than an extension of the trust deeds.

Pensions are a very dull subject and since it is a common fact that people under the age of about 45 have little interest in the subject it is a complete waste of time for employers to publish that kind of literature, which often was badly presented as well as being too long. Considering the company invariably is the major contributor to a pension scheme it is imperative that the attractiveness of the house scheme comes across to the members much in the same way that any new pay scheme or productivity deal would be handled: If the message does not come across to members the company could find that instead of improving labour relations the reverse could happen.

However, it is not necessarily just the employer who has an interest in ensuring that the benefits are well communicated. Trade unions also have a role to play in communications, particularly if they were party to the negotiations which led to the scheme's improvement or introduction.

Apart from the moves by the Government there are a number of pension consultants who provide a worthwhile service in improving communication standards. By and large they tend to favour not only more simplified forms of written material but also that these should be accompanied by some form of meeting where visual displays could be shown.



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LIFE

# PENSIONS III

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*J.P. Smith*

Coping with the menace of inflation continues to be a major headache for the fund manager, indexation being an answer that is too expensive for anyone but the Government. Various remedies have been tried but the best hope must lie in a buoyant securities market coupled with continuing moderation in wage increases.

# Effects of inflation

ONCE AGAIN the Government is holding out the hope of "single figure" inflation within the next year, and certainly the rate of price increases seems likely to ease back sharply from the recent year-on-year rate of almost 18 per cent. But few people believe that inflation can return within the next few years to the levels of the 1950s and the 1960s. The threat of prices rising inexorably haunts every pensioner, and poses severe problems for the pension fund manager.

Various ways have been devised of coping with the problem. The ideal method—full indexation of benefits—is unfortunately an option open only to the Government. The indexed pensions enjoyed by retired civil servants and other former public sector employees have become the cause of some bitterness among less fortunate private sector pensioners.

The Government, with its ability to print money, can take on these unlimited monetary liabilities without fear of insolvency. But even the Government's capacity to meet such commitments is not necessarily boundless, particularly in view of the risky decision to link pensions to an index of prices rather than of wages. Originally the Treasury thought this would be cheaper, but the commitment could prove unsustainable after a prolonged period of falling living standards.

A few private sector companies have followed the Government some way along this road, but only on a discretionary basis. Companies like Imperial Group or ICI belong in this context, where long-standing pension funds may have built up a surplus in favourable periods over the years through successful investment policies, allowing scope for upgrading benefits. Alternatively, companies may decide to use part of their profits to help their retired employees.

But there can be no question of such companies entering into formal fully indexed commitments. Any improvements to benefits have to be decided on in the light of what the scheme

or the company can afford. An interesting case is that of Legal and General Assurance, which manages pension funds on a massive scale for other companies. For its own retired employees Legal and General operates a discretionary annual review system.

On July 1 last its pensioners were awarded a basic 9 per cent rise—limited to an absolute cash figure of £207 in line with the maximum payable to current employees under the pay code. With inflation running at over 17 per cent in the period July, 1976-July, 1977, this increase fell well short of formal indexation, although of course the living standards of the nation as a whole were equally falling sharply in this period. Effectively, Legal and General pays for such increases out of revenue by buying lump-sum annuities.

### Formal

As an alternative to this discretionary approach, it is possible to build formal "dynamisation" into pension benefits. In this system, pensions rise by a predetermined amount—say, 3 per cent—each year. This is better than nothing, but of course the increases may bear no relation to the actual cost of living rises faced by pensioners in the years of their retirement.

The State scheme coming into effect next year poses a new challenge to private sector employers who contract out. The guaranteed minimum pension will be inflation-proofed by the Government once the pension is in payment. The vulnerability of the extra benefits above the minimum level will thus become very apparent, and to this situation there could be greater pressure from unions and pensioners for full indexation.

The menace of inflation has caused many companies to question the continuing relevance of fully funded schemes, which have often required some very expensive topping-up in the past few years, and have focused attention on the pay-as-you-go alternatives. These have become particularly well

developed, for example, in the private sector in France, largely because inflation has been a serious problem in that country throughout the post-war period.

Pay-as-you-go schemes easily cope with inflation because contributions automatically rise with wages and are paid over almost immediately to pensioners. But they have to be set up on a very broad basis—indeed industry-wide—to avoid the consequences of individual company failures.

Their weakness is that they are vulnerable to changes in the balance between contributors and pensioners, either because of national demographic trends or because of contraction in particular industries. It cannot be certain that in such circumstances the working population will automatically agree to actuarially determined increases in contribution rates.

In Britain the typical company pension scheme has in practice become a combination of the funded and pay-as-you-go methods, the latter representing the discretionary increases, which unlike those in France continue to be vulnerable to company bankruptcies.

If the advantages of full funding and inflation proofing are to be combined it is necessary

to obtain a secure real rate of return on investments. Even a small negative real return would be theoretically acceptable, so long as it was stable, though plainly this could make a scheme very expensive to operate. It is the absence of inflation-proof investments which has threatened to bring about a pensions crisis.

Figures quoted in the recent Economist Intelligence Unit special report on pension funds in Britain highlight the problem. The report concludes that if long-run inflation is in the 5 to 10 per cent range, the levels of pension contributions as a percentage of pay can only be satisfactory in relation to current practice if real investment returns are 2 per cent or above.

On the assumption of 3 per cent real income growth, full inflation proofing would require contributions of 28 per cent of pay if real returns are 2 per cent per annum, and nearly 45 per cent of pay with zero real returns. The costs would be somewhat lower if no real income growth were assumed, a possibility which has become more realistic in the light of trends since 1975, but which may not always be a safe assumption.

Since future trends in inflation and real investment returns are that much difficult to assess, construction of a fully-funded pension scheme has become an unreasonably subjective affair. Schemes relying on normal contribution rates, which have typically been around 14 per cent of pay taking both employers' and employees' shares, may well prove inadequate.

### Change

A recovery in the performance of the securities markets would of course change the picture markedly for the better. Between 1946 and 1966 the real return on equities, for example, was of the order of 8 per cent. Since 1966 equity returns have become negative—dramatically so in the years up to 1974—but there has still been a positive real return of 4 per cent or so taking the post-war period as a whole.

Returns on fixed interest securities have been very much worse, causing a long-term shift in investment policy towards equities and latterly property. Until the early 1970s property performed well, but even here returns were negative from 1973 onwards.

The investment crisis is the more serious because enormous growth of pension funds in recent years has coincided with the phase worsening investment returns. The Government has refused to offer index-linked security pension funds, which have solved the problem but would have amounted to the Government assuming the burden of private sector funded schemes.

The hope must now be that the securities markets entering a new and favourable period. They have already shown signs in the past year or so of the FT 30-Share Index falling back to 500, and long-gilt-edged may well be on a prospective positive course, with yields above 10 per cent, quite apart from the sible bonus of capital gains. A couple of years of stock market performance transform the funding of many pension schemes. It is all very much of a change. The continuing danger of pressure for higher wages again force up inflation into the profits out of future pensions will have paid.

Barry J

### Different problems face those setting up their own

pensions entitlements, such as the self employed and the senior executive.

The pros and cons of various schemes for the former need particularly careful examination, while "top hat" plans for the executive are being recognised as a useful tool in CTT planning.

## Self-employed schemes

FOR THE self-employed the Government's two-tier pension plans have no relevance. For them there is nothing to come but the basic pension with an earnings-related second stage, which is somewhat inequitable considering that they will pay earnings-related contributions depending on income. So there is little also the self-employed can do but make their own arrangements.

The difficult questions to answer are whether the investor should provide for his retirement by way of a contract with a life office of the with-profits variety maturing at a planned date, or whether it would be wiser to go for the unit-linked type of contract where the potential returns may be greater but there are no guarantees as to the end value.

Moreover, should the investor purchase a fixed contract with an annual premium from one life office or would it be better to aim at a series of single premium contracts? All the options have their own virtues, the trick is in getting the combinations right.

One rule-of-thumb guide is first to lay down the bed-rock of a good with-profits annuity contract simply because it offers a greater element of security as the bonuses roll in. On top of that another annuity contract with a different life office could be granted on or possibly a unit-linked contract.

The trouble with unit-linked policies is that you can catch a cold. Supporters of unit-linked would no doubt quarrel with this view but it seems unwise to leave something as important as a pension to the vagaries of the markets. With a with-profits policy bonuses once declared cannot be taken away.

### Cutting

However, the vesting bonuses declared at the end of the contract on retirement are less certain. Many life offices have been cutting the final bonus this year and reducing pension entitlements because of falling interest rates. As matters now stand a self-employed person can pay in 15 per cent of his income, up to £3,000, into a pension fund. These contributions are invested and on retirement the cash accumulated is used to purchase an annuity. Traditional with-profits policies guarantee a minimum figure at the end and a basic annuity rate but these are pitched conservatively so the ultimate pension depends upon current investment and interest conditions.

In a nutshell, following recent cuts such as the near 10 per cent reduction by National Provident Institution, anyone retiring after the set date will have a correspondingly lower pension than someone who retired earlier in the year. NPI

may not qualify for any more criticism than other life offices but it does serve to highlight the flaw in the scheme, but as yet there does not seem to be any real answer.

As to whether the investor would be better off with a series of single premium contracts renewed each year or an on-going annual premium, which is fixed, is another question that usually crops up. Talking to pension consultants at Sedgwick Forbes it is clear that they believe in the long run that annual premiums offer a better return. However, there are a couple of points of merit in going for single premium contracts.

### Guide

First, the investor can switch offices as often as he likes and secondly, there is the practical advantage that the size of the premium can be varied to suit the profitability of any one year's trading. A general guide is to take perhaps one-third of pension savings into single premium contracts for flexibility.

Pensions for executives apart from the rest of the workforce are common in this country and now when pay restraint has undermined direct remuneration executives are looking more and more towards other kinds of benefit. Pensions should rank high on their list, and the executive should expect the company to provide a pension benefit entitling him to the full two-thirds of his terminal salary.

The main advantages of "top hat" schemes (as they have been dubbed) lie in tax relief. In brief, there is full corporation tax relief on company contributions and there is no tax liability for the executive on the company contributions. There is full income tax relief at the highest rate paid for any contributions made by the executive himself and all contributions invested in the pension funds are exempt from capital gains tax, and any lump sum life assurance is free of capital transfer tax. Finally, the executive can receive a tax-free lump sum on retirement and the pension is taxed as earned income rather than investment income.

An important point is that providing the benefits do not exceed the Inland Revenue's limits there is no limit to the contributions the employer can make. The Revenue sets limits on how much pension can be paid per year of service but it is possible to work up to the maximum of two-thirds pension within ten years' service. Apart from the contributions paid by the company, the executive can top up these with his own arrangements (as long as he does not exceed the earnings or the final benefit rules). As for tax relief, he would be

eligible to take the contributions against tax at the highest rate paid. Another point worth remembering is that lump sum life assurance benefits are often arranged under trusts where the trustees are free to pay the benefits at their discretion. Because the investor has never actually had an interest in the benefits they are free of capital transfer tax and therefore "top hat" policies have become a useful tool in CTT planning.

Indeed, one broker reported that most of the activity in the executive pensions market over the past couple of years was due to CTT planning by controlling directors.

Because of the tax benefits it is not surprising that the Inland Revenue has set limits such as the fact that maximum benefits relate to the length of service. Also on the tax-free lump sum there are maximum

limits ranging up to one-half times the final salary of someone who has completed least 20 years' service. Besides the tax angle, five pension schemes popular because they are fully very flexible in the individual benefits, the payment and the relative of the amounts can be set to individual needs.

For both self-employed executives a brief article only touch the surface issues involved, but for looking to set up his own pension entitlements or interested in whether getting the most from his employer's scheme, the book both subjects published by Money Management are reading. A new self-edited edition comes out late year.

Terry G

## WHAT HAVE YOU DONE ABOUT THE NEW STATE PENSION SCHEME

- CONTRACTED IN (READ ON)
- CONTRACTED OUT (READ ON)

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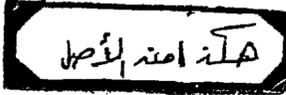
Decision be made

is the plan

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BARIC



One major headache for employers contemplating what action they should take under the State pension scheme is the question of whether to contract-out or not. The decision merits long and careful consideration. The article below describes the conditions which have to be fulfilled if the company opts to contract-out.

# Decisions on contracting-out

PASSING of the Social Security Pensions Act 1975 has been described as a revolution in pensions, as a milestone in other... But for employers it remains the point of no return... So what considerations does the employer need to bear in mind in reaching this momentous decision? The first must be whether it is financially viable to contract-out or not... Each employer should make his own calculations on whether to contract-out, or more to the point get a pensions consultant or State scheme formally valuing actuary to do the calculations for him. He should bear in mind not only the

present situation but what is likely to happen in the future. Above all this means taking a view on future investment returns. Some companies have taken a very pessimistic view and assumed that a return to positive investment yields is not likely and have therefore played safe and contracted-in. But with many companies financial considerations are not the most important factors in reaching a decision. Industrial relations play a much more prominent role. Even though the proposed State scheme is being introduced by a Labour

Government, most employees prefer to do their own thing and have a company pension scheme. A State scheme is a remote set-up not capable of being influenced directly. Benefits levels are subject to top level Government-TUC discussions, whereas the shop floor can negotiate pension levels for a company scheme. Since the Government Actuary calculated the premium abatement for contracting-out on average experience, one would expect that about half of scheme would stay in the State. Although no official figures have

been released, all indications are one in that it has no existing scheme then there is no added administrative burden. But there is little point in applying for contracting-out unless the main benefit far exceeds the minimum conditions. If an employer has no intention of providing much more than minimum contracting-out benefits, most of his employees would be well off staying in the State scheme. Trade unions which understand what pensions are all about, such as the General and Municipal Workers Union All-Share fund and the FT-A gilt yield. The onus for deciding whether a company scheme is eligible for contracting-out rests with the Occupational Pensions Board (OPB). To date it has received very few applications and has granted certificates to even fewer. The main reason for the delay is probably that companies have found that the consultative procedures specified by the Act are taking much longer than forecast. This is one area which cannot be circumvented yet seems incapable of being speeded up.

## Guidance for the individual

EXCITING THOUGH the prospect may seem, to take on the responsibility for successful deployment of a large sum of money at 60-plus is a daunting task—even when that responsibility is shared, and part of the money is earmarked for a world cruise. To be faced with such a sum much earlier, following the death of a breadwinner, ought to be a cause for relief; but all too often it is a cause for anxiety instead, particularly where the beneficiary is a woman with a family's welfare to look after and little or no experience in financial matters.

is likely to return to employment. For a couple at retirement, it is a different matter. And it is the problem of coping with price increases which provides the principal drawback to what are otherwise the considerable advantages of taking a lump sum on retirement in lieu of pension benefits and using it to buy an annuity. Those advantages should not be measured simply in terms of the personal pleasures of having money available—whether it is for pet schemes for which the time is now available too, or money to pay off mortgages or debts. They are advantages in tax terms too—for the lump sum on retirement comes free of tax, and can be used to buy an annuity on which a large part of the income will be considered as a return of capital, and therefore tax exempt as well.

elderly person trying to spin out a finite amount of capital to last an unquantified lifetime—they do not grow. Some pension payments do—but only some. Some schemes have a built-in provision for regular growth in the payout—though it is invariably growth at a lower rate than the rate of price increases recently. With others the trustees will from time to time arrange for the scheme to be "topped up" in order that payments to pensioners can be increased but there is, of course, no certainty that it is.

### Capital

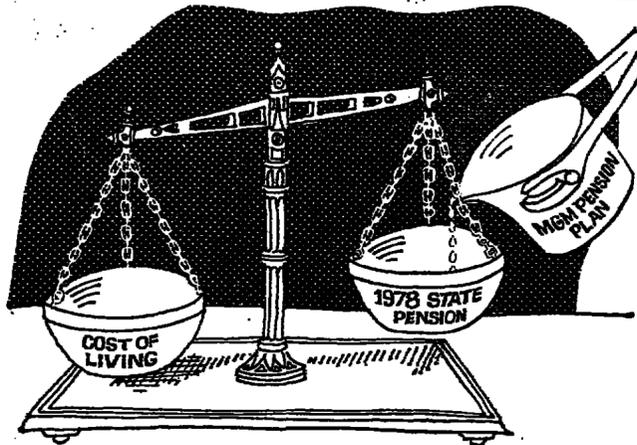
What is to be done with the money will of course vary according to the circumstances: but in either case the obvious reaction is to go looking for advice. But where? Given that relatives and friends have no particular expertise, the first port of call is likely to be the bank manager.

However, while annuities last a lifetime—and that can be a great reassurance—there is no sight more harrowing than an

Advice The OPB is going to play an increasingly important role in the direction of the U.K. pensions industry. Already its advice on several important pensions questions has been sought by the Secretary of State for Social Security. Its answers have been the model of in-depth practical consideration, free of political bias, probably because its composition has been heavily weighted towards members with long practical experience in pension operations. One can therefore only view with dismay the Government's proposal to reform the Board so that its members are split 50-50 between employer and employee representatives. The potential for political confrontation is enormous and the Government should rethink its proposals.

Adrienne Gleeson

Eric Short



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Advertisement for Baric Computing Services Ltd. Headline: 'here is the plan for dealing with the problems the new pensions act will create'. Describes services for pension administration and computing. Includes Baric logo and contact details for London office.

Vertical text on the left margin: 'been', 'm', 'their own', 'nd the senior exa', 'need particularly', 'ecutive are being', 'planning.', 'schem', 'What has', 'HAT HA', 'ONE A', 'NEW ST', 'ON SCR', 'ONTRACTED', 'NTRACTED', 'ision fund manager', 'ations of the new', 'likely to involve him', 'dures.', 'can be done, simply', 'ram. Like the one leg', 'es that some programe', 'e about pensions are', 'general, and we have', 'Cooper on Bugh B', '133.', 'nothing apart from', 'just how much time'

# PENSIONS V

The articles on this page discuss two of the most testing problems in the pensions field. The first concerns the as yet unresolved questions of equality of pension rights between men and women. The second lies in the difficulties facing pension fund portfolio managers in these times of high inflation and negative real return on investments.

## The goal of equal rights

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FOR THE MOMENT, at least, it looks as though the attempt to achieve real equality in pension rights between men and women has been abandoned. The reasons, however, lie not in the shallows of chauvinism but in the rather murkier waters of politics and bureaucracy. For the problem in adjusting occupational pension schemes to provide equal treatment for men and women lies essentially in the fact that most of them provide for different retirement ages—60 in the case of women, and 65 for men, or variations upon that theme. And, as emerged from the second White Paper on the equal treatment of men and women in occupational pension schemes published in March this year, the Government has no intention of doing anything about that.

Moves to amend the inequity run up against cost on the one hand and politics on the other. Very tentative figures prepared by the Government Actuary's Department for the Occupational Pension Board's inquiry on equal status a year ago suggested, on the basis of earnings in the third quarter of 1975, that to lower the age of retirement for men would cost some £40m. per year in respect of past service benefits for each year lopped off, and a similar amount in respect of future service benefits. Both amounts would rise with salaries, and with any new benefits introduced.

One alternative would appear to be to raise the age of retirement for women. It is, however, an alternative which did not recommend itself to the Occupational Pensions Board (OPB) because, as it pointed out when the results of its enquiry were published last year, it would be unfair to those women already contributing to existing schemes in the expectation of retiring at 60.

bedevilled by the interaction between the occupational schemes and the State scheme, where the same discrepancy over the age of retirement exists, and where the consequences of rectifying it could be very wide-ranging indeed. Mrs. Castle pointed out in the House of Commons in 1975 that the cost of lowering the retirement age for men to 60 under the State scheme would be an unacceptable £1.4bn. a year; and that has since been updated on DHESS estimates to £1.7bn. a year, with an additional £300m. a year for increases in social service provisions.

Raising the retirement age for women is, in the Government's view, politically unacceptable—only a few of the women's organisations have called for it as a logical alternative. Such a move could, apart from anything else, have dramatic consequences for the unemployment figures. Any attempt to iron out the discrepancy over retirement ages within occupational pension schemes, while it remains in force within the State scheme, works very much to the disadvantage of men. A man retiring at 60 under an occupational pension scheme has, for example, five years to wait before he can draw his State pension; and if the benefits under his occupational scheme are less than generous that means that he may end up drawing supplementary benefits.

Any attempt to raise the retirement age for women, however, leads to converse disadvantages; a woman who can work to 65 under an occupational scheme has increments accruing to her within the State scheme, to which her male contemporaries are not entitled. So any move to equalise ages within occupational schemes ahead of a similar move in the State scheme looks very unlikely indeed: in fact, the OPB recommended that any requirement that occupational schemes should iron out the discrepancy should be dependent on such a move within the State scheme first.

Having ruled out any such move, for the time being at least, the Government appears to be pushing ahead regardless with some of the changes which the OPB considered were dependent on it—notably the equalisation of members' contributions, benefits, options, and arrangements for the preservation and transfer of benefits. The OPB's argument was that, on members' contributions for example, some distinction must remain to allow for the fact that women earned their pension benefits over a shorter period than men.

Such benefits are earned; and exercise. So when a woman decides to commute her pension she will receive a higher capital sum than her male counterpart—though, of course, if she uses that sum in buying an annuity she is going to receive one with a lower yearly income.

Neither the Government nor the OPB accepted, in contrast, that mortality arguments should have any effect on the rate at which benefits accrue in defined benefit schemes—where differences in the treatment of men and women are in any case comparatively rare; and neither has it accepted that it should affect the method of adjusting pensions for early or late retirement. The Government has not, however, followed the OPB in accepting that similar survivors' benefits should be available to widowers as to widows; in this case it has accepted the industry's view that differences in the age at which the people are likely to die must affect the provision for their pension scheme members' benefits.

In the meantime the Government is already planning to bring in legislation "as an opportunity allows" on the controversial elements of the OPB report—notably the provision of more information to members and benefits, and the strengthening of access requirements—to provide, for example, the exclusion of married persons on grounds of their marital status, to ensure that scheme entry conditions are identical for men and women as regards age and length of service.

They are in addition planning legislation on some of which may be of real use to women; particularly maternity leave pay under the Protection of Women at Work Act, and the changes to pension schemes which have wider powers to pension scheme beneficiaries in cases of divorce and remarriage.

Adrienne Gies

## Investment policy decisions

ALTHOUGH NO official figures have yet been issued, the indications coming from the pension consultants are that a high proportion of employers (far higher than anticipated) will be contracting-out of the State scheme and making their own pension provision for their employees. Whatever the reasons for this decision, the justification will rest primarily with the investment performance of the underlying fund.

The practice in the U.K. is for pension schemes to be fully funded. This means that the pension scheme builds up assets over the working life of an employee to meet the pension liabilities when retirement comes. Since pensions are now based on final salary or average revalued salary, the contributions have to be invested in assets where the investment performance will match salary inflation over the working life of employees. Failure to match salary inflation will mean that the employer will have to make additional contributions.

This means that the bulk of a pension scheme's assets will be held in equities and property where values are backed by real assets, with only a minority in fixed-interest monetary assets. The cult of equity in the 50s and 60s led to a growing involvement of pension schemes in equities and by the early 70s this enthusiasm had been transmitted to property. The strong positive cash flows of pension schemes and their tax exempt status were two positive factors in this boom.

But the higher rates of inflation over the past few years and the negative real return on investments has meant that in the short term at least pension schemes investments have not matched up to the demands made on them. The survey made by Harris Graham and Partners, leading pension consultants, on the performance of exempt pooled pension funds shown in the accompanying table is interesting. It shows that while this year's recovery has enabled equities, property and fixed-interest to outpace inflation over the past three years, it has still not caught up over the longer periods.

The present recovery has come just in time. But the past two years have been ones where the salary levels overall have been kept down by pay policy. If in the next two years wages and salary levels start to move ahead rapidly, then the present investment market recovery needs to be sustained in order to match the wages movement. Pension fund investment managers still cannot sleep easy at nights. But the pensions industry has other problems looming on the horizon, as far as investment is concerned. With assets totalling £20bn. and a cash flow running at an annual rate of £2bn. it is with the life assurance industry, the largest provider of capital for British industry and commerce. As such it has been accused by the trade unions of withholding capital much needed for industry—"Strike of capital" is the phrase that has been coined.

	Period to June 30, 1977			
	1 year	2 years	3 years	4 years
	%	%	%	%
Retail Price Index	12.7	15.3	19.1	18.5
National Average Earnings	10.0	13.5	17.5	17.1
Equities	25.7	25.9	24.2	5.8
Property	11.4	13.1	5.8	5.4
Fixed Interest	20.6	19.7	17.7	11.4
Mixed Funds	21.6	23.0	20.7	9.5

Source: Harris-Graham and Partners.

The pensions industry has made a spirited defence of its role to the Wilson Committee. It pointed out that it was not the job of the investment manager present to create a demand for capital investment. The view is that it is the responsibility of the Government to create a climate which made it profitable for industry to invest. There was no shortage of funds overseas unless it had overseas liabilities. Finally, if the future trend is towards collective investment investment managers are likely in future to have to operate under some restraints irrespective of which party gets power at the next election. The Occupational Pensions Board at

Eric

### Social Security and Pensions Act 1975

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# The Management Page

هنا امنه الاصل

EDITED BY CHRISTOPHER LORENZ

decision of the Accounting Standards Committee to set up a group under the chairmanship of Mr. William Hyde to develop an interim solution to the inflation accounting controversy marks the latest chapter in this long-running debate. It follows the accountancy profession's rejection in June of current accounting (CCA) proposals made by the Inflation Accounting Steering Group, headed by Mr. Douglas Morpeth and part financed by the Government. The Hyde group has been asked to develop guide-

lines whereby large companies can give three different figures—which reflect the effects of inflation on their activities—in their annual reports.

One of the figures called for is an adjustment to take account of the effects of gearing, otherwise known broadly as a monetary items adjustment. It boils down to a recognition that the effects of inflation on a company's assets are partly borne by the suppliers of debt capital, and credit in general. This proposal is highly

controversial both on theoretical grounds, and to some extent one suspects, because it leads to smaller reductions in company profits than other proposals which limit themselves to accounting for the effects of inflation on a company's physical assets—its stocks and plant.

Martin Gibbs, the senior research partner of stockbrokers Phillips and Drew, has been a notable contributor to this debate. In this article he examines

three methods of making a gearing adjustment, including his own "Gibbs system."

His article is particularly timely since only last week Mr. Douglas Morpeth announced that both his inflation accounting steering group and the Hyde group were considering a gearing adjustment similar to the LDS version suggested below.

MICHAEL LAFFERTY

## Gearing up to meet inflation

BY MARTIN GIBBS

### DELTA METAL'S RESULTS FOR 1976

	£m.
Conventional pre-tax	24.6
CCA Stock adjustment	-9.1 (a)
CCA Depreciation adjustment	-5.7 (a)
Gearing adjustments	
Delta's method	+10.7 (b)
Gibbs method	+0.8 (c)
net creditors	-8.3 (d)
net borrowing	-5.2 (e)

(a) Including adjustments for associates.  
 (b) 41.4 gearing times holding gains of £25.8m.  
 (c) 8.3 net creditor financed proportion of stock adjustment of £9.1m.  
 (d) 23.4 gearing times remaining holding gains of £23.2m.  
 (e) 35.2 gearing times stock and depreciation adjustments of £14.8m.  
 NOTE: "Gearing" is calculated slightly differently in the three systems.

creditors have been set against the stocks so as to reduce the cost of sales adjustment by £0.8m. The proportion of the remaining holding gains financed by "net borrowing" (borrowing, preference shares, tax and dividends, less cash) comes to 58.3m. In Delta's case, net creditors represent only a small proportion of the total net monetary liabilities. However this proportion, and thus the overall "quality" of the monetary gains, will vary considerably from company to company.

Like the Godley system, my system produces a final profit which is dependent on the accuracy of the fixed asset valuations and could only be distributed by increasing the borrowing. Its advantage is that it also produces a first stage profit (ignoring gains on borrowing) which ties in with the movement of the company's cash more closely than the original Morpeth proposals or either of the other two systems considered in this article. It solves the problem of banks by making a deduction from their profits to cover the cost of maintaining the real value of their net monetary assets in the same way as an industrial company's net debtors. It also solves the difficult problem of contract work-in-progress since it allows an adjustment to be made on the net amount outstanding, after deduction of progress payments.

The disadvantages of the system are that it is a little more complicated than the others and that it is arbitrary in its division of liabilities between creditors and borrowing. For instance, some people would argue that a bank overdraft is more akin to a trade creditor than to a loan whereas I would

put it into the borrowing category. Furthermore, if figures could be manipulated, say, a company reducing its borrowing by increased its borrowing for effective manipulation is shown if both types of gain are reduced.

LDS System: The London and District Society of Chartered Accountants published an alternative to ED18 in May. The society's proposals were described by Professor Walter Reid, one of the members of the team which produced the report, in an article in the Financial Times on July 13. These included an adjustment for monetary items. Where liabilities exceed monetary assets, this adjustment would be calculated by adding back the debt-financed proportion of the CCA adjustments for stocks and depreciation.

In the case of Delta, this method would produce an add-back of £3.2m. For companies with a net surplus of monetary assets, a deduction from profits would be made unless the surplus represented "free" cash. The advantages of the LDS method are that it is relatively simple, that it is conservative (since it does not allow the gearing gain to exceed the amount deducted from the conventional profits for stocks and depreciation) and that it deals with the special problems of banks.

On the other hand, it appears to have no theoretical justification in terms of a capital maintenance concept; it seems inconsistent in that it recognises a gearing gain on the appreciation

of stocks and plant but not on the appreciation of land or investments or on exchange gains; and, like the Godley system, it fails to distinguish between gains financed by creditors and gains financed by borrowed money.

So there we have the three methods. Naturally, I prefer my own but I have tried to be objective in discussing the advantages and disadvantages of each system. It is now up to Mr. Hyde's committee. They will have to make a quick decision if they are going to meet their target of publishing guidelines in November.



Initial indications suggest that the LDS system is the front runner. The committee may well feel that theoretical niceties can be left to the Morpeth steering group and that what is needed now is a quick rule of thumb method that will enable something to be published by companies in their 1977 accounts.

There is no absolute truth in accounting. I believe, however, that any of the three methods that I have described would produce a more meaningful indication of the "true" profits accruing to shareholders than the alternative of showing the stock and depreciation adjustments without giving any quantification of the offsetting benefits of gearing.

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The fact that this has now become an adjustment to take account of the effects of gearing shows that opinion has moved away from basing the adjustment on the retail price index. This seems a sensible development. If we are working towards a CCA system, using specific indices for the adjustment of physical assets, it seems logical that any adjustments for monetary items (for example, debtors, creditors and borrowings) should also be based on specific indices, unless the company's business is so general—as in the case of a bank—that a general index is more relevant to it.

The background papers, published by the Morpeth group last December, discussed two main gearing methods. They called these the "Godley system" and the "Gibbs system." More recently the London District Society of Chartered Accountants has recommended a third system. Since each system has its advantages and disadvantages, they are worth considering in turn.

Godley System: The Godley system was put forward in an article by Wynne Godley and Francis Cripps in October, 1975. They suggested that the CCA holding gains arising from revaluing fixed assets and stocks should be split into two components, one representing the proportion financed by shareholders and the other the proportion financed by debt. They argued that the former needs to be transferred to reserve to maintain the "real" value of the shareholders' funds, whereas the latter represents a gain for the shareholders at the expense of the debtholders and is theoretically available for distribution or for the expansion of the business.



This system has been adopted by a number of the companies which have published CCA statements, including three companies which have representatives on the Morpeth steering group: Delta Metal, Ford Motor and P. J. Carroll. As shown in the table, Delta Metal included an adjustment of £10.7m. in its 1976 accounts, a figure which was slightly more than the pre-tax profit of £9.8m. calculated on the basis proposed in the Morpeth exposure draft.

The advantages of the Godley system lie in its relative simplicity and its intellectual purity. It shows the amount which a company could distribute after maintaining the real value of its physical assets and the initial ratio of net monetary liabilities to physical assets. Its disadvantages are that it shows a gain, the calculation of which can be no more accurate than the valuations of the property and plant and which will not be backed by an equivalent cash inflow unless the borrowing is increased in

line with the value of the assets. Furthermore, it does not cope with the problem of companies, such as banks, which have a net surplus of monetary assets—that is, whose cash and debtors exceed their creditors and borrowings.



Gibbs System: The system which I first advanced in February 1976 is a development of the Godley system. I believe that there is a vital difference between gains or losses on creditors and debtors, which will be backed by a semi-automatic inflow or outflow of cash as prices rise, and gains on borrowed money which will only be backed by a cash inflow if the lenders are prepared to lend more. I therefore believe that the two types of gain or

loss should be shown separately. The case for making this distinction has had some high level support in the shape of the English Institute of Chartered Accountants' recommendations to the Morpeth steering group. The Council said in May that it believed a monetary adjustment was required under CCA and suggested that "as a start the adjustment should include any monetary items which are inherent in the operation of the business but should exclude any items which can be regarded as part of the financing arrangements of the business." It went on to say, however, that it accepted that, in a period of inflation, there was a transfer of value from the lenders to the ordinary shareholders and said that "ways may be devised in due course to reflect this transfer."

The effects of my two-tier adjustments to Delta's figures are shown in the table. The net

### The war that never ends

We British are a peaceful people. When a war is over we like to consign it to the history books—and forget it. But for some the wars live on. The disabled from both World Wars and from lesser campaigns, now all too easily forgotten; the widows, the orphans and the children—for them their war lives on, every day and all day. In many cases, of course, there is help from a pension. But there is a link to what any Government Department can do. This is where Army Benevolence steps in. With understanding, with a sense of urgency... and with practical, financial help. To us it is a privilege to help these brave men—and women, too. Please will you help us to do more? We must not let our soldiers down.

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### Business courses

**Product Liability**, Hotel Russell, London, September 28. Fee: £65 plus VAT. Details from Executive, 29, Octagon Parade, High Wycombe, Buckinghamshire.

**Decision Making and Problem Analysis**, the London Hilton, October 6-7. Fee: £110 plus VAT. Details from The Inbucan Management Development Service, Knightsbridge House, 197, Knightsbridge, London, S.W.7.

**Motivation and Incentives for the Middle Manager**, Brunel University, Uxbridge, October 11-12. Fee: £115. Details from Management Programme, Brunel University, Uxbridge, Middlesex.

**International Treasury Management**, Royal Lancaster Hotel, London, October 11-12. Fee: £140 plus VAT. Details from Investment and Property Studies, Norwich House, Norwich Street, London, E.C.4.

**Design—The Missing Sales**, Queen Elizabeth Hall, London, October 26. Fee: £32. Details from Design and Industries Association, 17, Lawn Crescent, Kew Gardens, Surrey.

**Marketing for Management Accountants**, Cranfield School of Management, Bedford, October 10-14. Fee: £350. Details from Cranfield School of Management, Cranfield, Bedford.

**Paying People Abroad**, Royal Lancaster Hotel, London, October 11-13. Fee: £195 plus VAT. Details from ORC, 1, Albemarle Street, London, W.1.

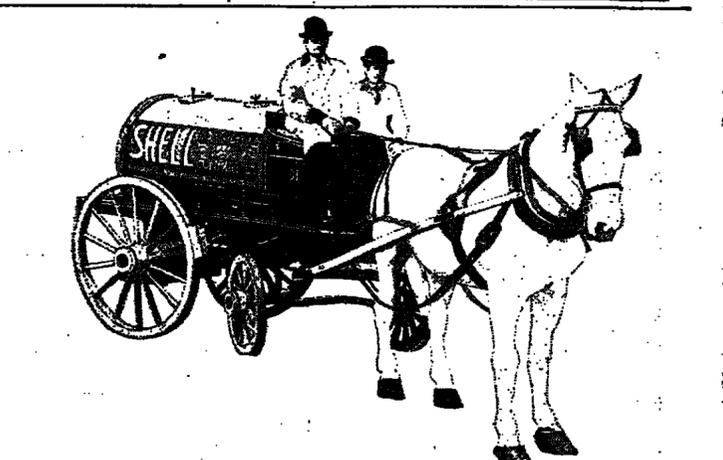
**Practical Pricing Policies**, Cecil Hotel, London, September 28-29. Fee: £95 plus VAT. Details from ASM, 565, Fulham Road, London, S.W.6.

**Food Manufacture**, Royal Lancaster Hotel, London, October 25-27. Fee: £105 plus VAT. Details from Conference Communication, Monks Hill, Tilford, Farnham, Surrey.

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Tuesday September 6 1977

## Living up to the Summit

ONE OF THE achievements of the Downing Street summit last May was a commitment by those countries with the stronger economies—the U.S., West Germany and Japan—to relatively high growth rates and, more particularly, to take further measures in the course of this year if it appeared that the targets were not being met. The Americans especially were pleased with this monitoring arrangement, no doubt partly on the grounds that their own economic growth did not then seem in question. So, too, was Mr. James Callaghan, though on the rather different grounds that if economic growth faltered, any call for world reflation could be backed by reference to the Downing Street pledge.

**Reflation**  
It was clear even at the time that the German commitment to a growth rate of nearly 5 per cent. was, to say the least, questionable. Some of the German economic institutes had already doubted whether even 4 per cent. was on. By now the Government has lowered its sights to around that level, and some non-official forecasts have fallen still lower. There has also been some shortfall in Japan—from a commitment at Downing Street to 6.7 per cent. to a more likely achievement of a little over 5 per cent. More recently, there have even been doubts about the U.S. The U.S. index of leading indicators, which has generally provided a reliable early warning system, fell in July for the third consecutive month. Although growth of 5.6 per cent. for the year as a whole should be attainable thanks to a strong first half, there must now be a question mark over the U.S. prospects for 1978.

It is incorrect to say, however, as Mr. Callaghan suggested in Scotland last Friday, that the subsequent performance of the stronger economies means that the Downing Street summit did not succeed. On the contrary, there is every reason to believe that the Germans and the Japanese take their growth commitments quite as seriously as Mr. Callaghan. Chancellor Schmidt, for example, cannot look forward to yet another

winter where German unemployment rises above the 1m. level. Nor does he require external pressures to persuade him to try to do something about it. All the signs are indeed that the German Government will reveal its reflation package around the middle of this month; the argument over the past few weeks has been only about what it should contain. It is much the same in Japan. The authorities have been talking about reflation all summer long. Some measures, including the cut in bank rate at the week-end, have already been taken, and a fuller package, concentrating on boosting the construction industry, is expected to be announced to-day. Both the Japanese and the Germans, besides, have allowed their currencies to appreciate, sometimes against their own better judgment.

**Co-operation**  
How far these measures can be attributed to the undertakings given at Downing Street and how far they would have had to be taken in any case, of course, is a moot point. But they do at least suggest that the habit of co-operation is growing. What matters now is that it should become a continuous process, and here it was one of the merits of the Downing Street agreement that it provided for some follow-up. The first post-Downing Street consultations took place at the OECD Ministerial session in June, but that was a bit early to seek new conclusions. A more important post-mortem is likely to come when high officials of the economic summit countries meet in Washington on the fringe of the annual IMF meeting later this month. That will be the time to exchange assessments of the performance since May, to discuss whether further measures are needed, and to look ahead to the future. In particular, officials might ask themselves whether their economic growth targets ought not to be more long term. In the meantime, there is nothing to be gained by recriminations of the "Germans should do more" variety. Mr. Callaghan might remember that when he goes to Bonn this week-end,

## World trade and the U.K.

THE NEW SERIES of export sales, this measure ignores the extent to which imports of the same product are being sold in the U.K. The ratio preferred to be published regularly is a considerable statistical feat, and one which has implications for policy, which are far from unimportant. For all the talk of import penetration and hesitant competitiveness in export markets—matters which are clearly of major significance for U.K. industry and employment, and which will become of major significance for the balance of foreign payments once again when the flow of oil from the North Sea begins to tail off—information on the subject has until now been surprisingly slight. It has become available only several years after the event and the categories of industry to which it has referred have been too broad to be of much practical value.

Even the new series, which are more up-to-date and detailed, involve such wide assumptions and so much estimation that the compilers modestly conclude that "the ratios are of rather limited use." They can be used to watch the progress of a particular industry over the years (provided that there are no major changes in the amount of re-exports) but they are of questionable use for making inter-industry comparisons. They are being published now, rather than after the introduction of further statistical refinements, because of their practical importance.

**Winners and losers**  
There are four ratios compiled, two referring to imports and two to exports. The simple ratio of imports to home demand is that most commonly used to illustrate the degree of import penetration. Since international specialisation often implies a high level of both exports and imports, the ratio preferred here is that of imports to the sum of home demand and exports. Similarly, although export success or failure is commonly measured by the ratio of exports to total



Mr. Gerry Fitt: "Our fall-back... may be to stand aside and hand over to the men of violence"; Monsignor Tomas O. Flaich, new Primate of All Ireland, who is unashamedly nationalistic; Mr. Jack Lynch, as the Republic's new Premier, the "man in the middle"; and Mr. Eddie McAteer, Planning the reincarnation of the Nationalist Party.

# Mr. Fitt flexes his muscles

By GILES MERRITT, Dublin Correspondent

IT WOULD be interesting to catch a quick glimpse of the political memoranda which Mr. Roy Mason, the Northern Ireland Secretary, has been receiving while on holiday in the past few days from his senior civil servants at Stormont Castle. For the politics of the Catholic minority have begun to move fast and furiously towards a potentially dangerous nationalism. During 18 months Ulster's affairs have been pushed far down the British Government's list of priorities, but now it looks as if the Province is moving up the agenda. Mr. Mason, unlike his predecessor Mr. Merlyn Rees, makes a point of not reacting openly to Ulster's vagaries so it will be instructive to see how he responds to the dissatisfaction of the mainly Catholic Social Democratic and Labour Party.

Keeping Northern Ireland out of the headlines is one of Mr. Mason's primary responsibilities. From his and Mr. Callaghan's point of view successive British governments since 1968 have tried hard to engineer an Ulster solution and failed. The next best thing to solving the intractable problem, they have reasoned, is humane and constructive administration of the Province's affairs, in which economic management combined with damping down the security crisis would slowly take the heat out of Ulster. In Whitehall there are senior officials who have been advising that the present troubles will have run their course by next year or by 1979, and then the ten-year eruption of violence will relapse into stalemata.

That is a possibility, of course, for in Northern Ireland almost anything is possible. But at present it looks as if the strategy of direct rule is in trouble. It also looks as if the political assumptions of the past seven years—that an internal Six-County solution is feasible—are open to question. Since its

foundation in 1970 as a pro-gain when his party was fighting a by-election in West Mayo and now is more of an embarrassment than his Government cares to admit, Mr. Lynch is adept at smart verbal footwork—known familiarly as "Lynch speak"—and has so far dodged any revealing discussion of his Ulster policies. He is, however, due to meet the SDLP leader in mid-September for his first formal renewal of contact and Mr. Callaghan on September 28 for their first bilateral discussions on Ulster since the Irish election.

### Clarion call to action

Assuming that Mr. Lynch will be required to get down to straight talking at both meetings, he will face a tricky job if he is to satisfy both sides. Mr. Lynch, when in opposition, criticised British direct rule in Ulster as "a non-policy of drift." But if he champions the SDLP's new emphasis on the Irish dimension he risks damaging Anglo-Irish relations. There is also a sense in which Mr. Lynch must hunt with hounds and run with the hare, for while the SDLP quite legitimately looks to Fianna Fail as an ally that is almost bound to support its ambitions, the Dublin Government's security responsibilities must make it extra-cautious over any move that could be construed by Republicans as anti-British.

In short, to Fianna Fail's own irritation, the Party's return to office has introduced a new uncertainty into the Ulster question and in some Republican or Nationalist quarters is being used as a clarion call to action. In retrospect, it was inevitable because the defeated Fine Gael-Labour Coalition Government's policy was that Northern Ireland is a British matter, while Fianna Fail's basic approach is that it is at very least an Anglo-Irish one. The new mood is also likely to be underlined by the recent Papal appointment of Monsignor Tomas O. Flaich, a

SDLP who have genuinely had Lynch meet in Downing Street enough of power-sharing and those who believe that the threat of dropping power-sharing will bluff Britain into making it a live issue once more. The SDLP's Leader and sole marks after the Party's central committee meeting in Dungannon, to the effect that the frustration of the SDLP's Northern Ireland, the effect of these developments has been enough to rekindle outright nationalism. In Londonderry, the moribund and discredited Nationalist Party headed by Mr. Eddie McAteer has announced that it is planning its own reincarnation. The as yet unnamed "Green" party is hoping that it can cash in on dissatisfaction with direct rule, and Britain's failure to insist on power-sharing, to become a respectable party of re-unification.

The feeling that more and more Catholic moderates are being pushed towards the idea of Irish reunification is also a major force behind the SDLP's much more important change of tactics. While the SDLP's downgrading of power-sharing should not be confused with support for reunification—the Irish dimension in fact harks back to the proposal at the Sunningdale Conference of a Council of Ireland—a number of SDLP leaders now insist that bringing Dublin into any solution is the only way to prevent discontented SDLP supporters from throwing in their lot with McAteer's Nationalists or even the Provisional IRA. The SDLP is at present in a state of turmoil, and with the party frantically insisting that its internal struggles are private matters, much of what is really happening must be speculation. It seems evident, though, that while Mr. Paddy Devlin and Mr. Ivan Cooper have split with their colleagues in the leadership over the Irish dimension policy, there is also a marked division between those in the

SDLP who have genuinely had enough of power-sharing and those who believe that the threat of dropping power-sharing will bluff Britain into making it a live issue once more. The SDLP's Leader and sole marks after the Party's central committee meeting in Dungannon, to the effect that the frustration of the SDLP's Northern Ireland, the effect of these developments has been enough to rekindle outright nationalism. In Londonderry, the moribund and discredited Nationalist Party headed by Mr. Eddie McAteer has announced that it is planning its own reincarnation. The as yet unnamed "Green" party is hoping that it can cash in on dissatisfaction with direct rule, and Britain's failure to insist on power-sharing, to become a respectable party of re-unification.

### Unlock the impasse

Mr. Fitt was the late Lord Faulkner's deputy at the head of the short-lived 1974 Power-Sharing Executive which militant Protestants destroyed, and he would almost certainly welcome renewed British determination to institutionalise power-sharing. But many of his Party believe it has become a hopeless ambition and would rather throw the SDLP's weight behind an Irish dimension policy that would introduce the Irish Republic as a key element and so unlock the Ulster impasse. When Mr. Callaghan and Mr.

## MEN AND MATTERS

### Changing ways in Oxford Street

A further shot in the war against fringe operators in the bureau de change business was fired yesterday. Barclays have opened their first London bureau, which instead of keeping normal banking hours will be open from eight in the morning until ten at night, six days a week. Logically enough, the bureau is in that part of Oxford Street where the tourists are thickest, only a brief struggle along the pavement from Marks and Spencer and Selfridges.

The window is markedly unlike the decorous facade of the Barclays we are accustomed to: miniature blackboards have scrawled upon them in chalk the going rates for 14 leading currencies. John de Lannoy, accountant in charge of the bureau, says they will be replaced soon by the usual display board with plastic figures. He seemed rather sad about it, believing that the chalked prices give a sense of excitement and attract passers-by. Certainly, the customers were queuing up at the counter.

Barclays plan to open other bureaux soon; they have sites in mind around the West End. Clearly, the bureaux will be good business. Barclays say there is plenty of room in the field for the other clearing banks to follow suit. They accept that most of the 150 bureaux now operating in London are respectable enough, although rates and commission can be pretty flexible—but some are suspect. One Barclays spokesman even talked graphically of "mushrooming bucket shops."

Over at the Bank of England, which authorises bureaux de change to buy, sell and hold foreign currencies, its spokesman was far less ray in his turn of phrase. True, there might be a few fringe opera-

tors, but most bureaux were performing a valuable service. Naturally, having a bank of Barclays standing operating a bureau would set high standards. When I asked why so few of the smaller operators displayed their rates and commission charges, the Bank spokesman said it only became a rule on September 1 that they should.

Perhaps this serene optimism is well founded. But after leaving the Barclays' bureau I strolled along towards Regent Street and spotted a sign saying "Bank of Politist, Open." An arrow pointed into a basement. Fighting my way through racks of jeans and a cacophony of pop music, I came upon a pretty Indian girl, sitting at a table near the clairvoyant's booth. She was doing some needlework on a pink night-dress. "Where's the bureau de change?" I asked. "I am the bureau," she replied cheerfully.

**Far East Anglia**  
The Korean National Dance Company leaves Sadler's Wells in London this weekend, having been acclaimed for a gentle charm that is sharp; at odds with the relentless reputation of Korean businessmen. From London, the company goes to the Theatre Royal in Norwich. Why Norwich? According to manager Dick Condon, it is simply because his is the only civic theatre in Europe that is totally viable—and because the city is so responsive to the arts. Well spoken, Dick; but over shark's fin soup yesterday with Korean Ambassador Pyo-Wook Han, I discovered that there is rather more to it. The links between Norwich and Seoul began about ten years ago, when a chicken sexer named Kwun Yong Woo was invited to Britain by a Norwich poultry firm. Woo also happened to be a seventh dan in the Korean version of karate. Quicker than

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# COMPANY NEWS + COMMENT

## Electronics side lifts Decca to £15.9m.

INCLUDING EXPORTS OF £31.8m, against £39.1m, turnover of Decca advanced from £170m to £181.4m for the year to March 31, 1977, and pre-tax profits were up from £13.6m to £15.9m, after being virtually static at £5.5m, compared with £5.44m, at mid-way.

Full-year earnings are shown to be ahead from 29.5p to 35.4p per 25p share before special items and from 27p to 34.5p after such items. The final dividend is 7.6352p net for a 10.5832p (9.9382p) total.

Company	Page	Col.	Company	Page	Col.
Amey-Roadstone	20	5	Randall (J. & R.)	21	3
Camrex Holdings	20	2	Revertex Chemicals	20	7
Crest Intl.	21	4	SEET	20	3
Decca	20	1	Shakespeare (J.)	21	5
Elec. & Ind. Secs.	21	2	Utd. British Secs.	21	4
General Engrs.	20	4	Wilkins & Mitchell	21	4
Leisure & General	21	1	Willows (Francis)	20	6
Pentland Inds.	20	4	Wood (Arthur)	21	1

The directors report that continuing the progress of recent years, profits from capital goods (navigator, radar, survey and other electronics) show an increase of 19.7% to 18.7m, compared with 15.7m, against £19.1m, turnover of £113.2m, comprising capital goods at £38.2m, (£37.9m), and consumer goods at £75.0m, (£75.2m).

A division of profits before interest of £3.12m, (£2.84m) and tax shows capital goods at £33.9m, (£31.9m), and consumer goods at £41.1m, (£43.3m).

term dividend is lifted from 1.47p to 1.64p net. Total for 1978 was 3.54p paid from record profits of £1.91m.

A prior year adjustment of £68,000 was made to reserves at £1.91m.

After the sharp jump in profits in 1976, Camrex this time has been held back by the depressed state of the paint industry. Profits for the first six months of 1977 are up 11 per cent, but the growth would have been less were it not for the economy measures taken such as the concentration on specialised work. The shipping industry is its main customer and it is looking to see another upturn in profits until shipbuilders and shipping companies become more prosperous. The shares, however, at 70p are on a fairly undemanding prospective p/e of about 5½ while the maximum yield is 8 per cent.

The directors say that the outlook remains difficult to predict but they are confident that the group can continue to expand by December 31, 1978, in accordance with its strategy.

Turnover  
1977 1976  
£m £m  
153.075 117.134  
Trading profit 1.550 1.389  
Profit before tax 2.384 2.823  
Tax 895 516  
Net profit 339 506  
Minorities 14  
Attributable 573 503

See Lex

### Camrex ahead at midway

FIRST HALF 1977 taxable profits of paint manufacturers corrosion engineers and contractors Camrex (Holdings) rose from £10.5m, to £11.6m, on turnover of £13.08m, against £11.74m.

The directors say that the outlook remains difficult to predict but they are confident that the group can continue to expand by December 31, 1978, in accordance with its strategy.

Progress continues at SEET

The current year has started well for Scottish, English and European Textiles says Mr. J. H. Mackenzie, the chairman, and if this trend is maintained then satisfactory results should again be achieved, he tells members in his annual statement.

As known, turnover expanded from £7.1m to £9.5m, and the year to April 30, 1977, and pre-tax profits advanced from £419,815 to £882,222. The dividend is hoisted from 0.9p to 1.64p net, the maximum permitted on recovery grounds.

Mr. Mackenzie reports that at the start of the financial year business was good and this trend in both home and export markets continued throughout the year and is still continuing.

The satisfactory results have been helped by the progress of the programme of rationalisation, re-organisation and re-equipping of all the mills and also the reviewing of the home and export marketing policies.

Against the second half of last year when the recovery at Pentland Industries really took off, the interim profits are down by only £100,000, gives the directors a boost towards the second half (though this is becoming less marked) this suggests that all divisions are now in profit. The low tax charge reveals strong profit growth, particularly in the home brewing company, Unicam, and here there is scope for further improvements with new wine production on the market. So with the shoe business set to produce its strong second-half bias despite the new quota on selected goods, the directors could have £550,000 profits within grasp for the year. But at 16p the prospective p/e is 5.3 (on a low tax charge) while the yield of 6.4 per cent. is on the low side for this sort of stock.

General Engineering optimistic

In his annual statement, Mr. R. B. Ogden, the chairman of General Engineering Company (Radclyffe) says that the order levels continuing to rise and with the group's new product developments, the future looks very promising.

As known sales rose from £24m. to £124m. in the year to March 31 1977, but profits fell from £1.04m. to £0.81m. before tax.

Mr. D. D. Prens (Chairman) reports on the year ended 1st April, 1977.

- \* **TURNOVER INCREASE**  
From £8,729,400 to £12,389,000.
- \* **EXPORTS INCREASE**  
From £1,976,000 to £3,348,000.
- \* **PRE-TAX PROFIT £1,093,416**
- \* **DIVIDEND 8.58%**  
(Maximum permitted)
- \* **FUTURE**  
Overseas Subsidiaries formed in France, West Germany and U.S.A. expected to make growing contribution.

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Copies of the Report and Accounts may be obtained from the Secretary.

Celestion Industries Limited,  
130 Mount Street, London, W1Y 5HA.  
Telephone: 01-499 5641

Mr. Mackenzie reports that at the start of the financial year business was good and this trend in both home and export markets continued throughout the year and is still continuing.

The satisfactory results have been helped by the progress of the programme of rationalisation, re-organisation and re-equipping of all the mills and also the reviewing of the home and export marketing policies.

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# AURORA

## FIRST HALF RISE

### IN SALES AND PROFITS

	Unaudited results for the six months ended 30 June 1977		
	6 months to 30.6.77	6 months to 30.6.76	18 months to 31.12.76
	£'000	£'000	£'000
Turnover	13,517	10,240	28,382
Trading profit before interest	1,381	1,116	2,996
Profit before taxation	1,060	955	2,387

Mr Robert Atkinson, Chairman, reports:

- \* Sales and trading profit increased over 1976 by 32% and 24% respectively.
- \* Rights issue of 1 for 4 ordinary shares to raise £1,077,000, successfully completed—June 1977.
- \* Agreed bid made for the issued share capital of Coltness Group Limited—August 1977.
- \* Ordinary interim dividend increased to 1.32p per share net payable 30 November 1977 to shareholders on the register at 2 November 1977.

**AURORA HOLDINGS LIMITED**  
Aurora House, 61 Manchester Road, SHEFFIELD S10 5DY

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**AURORA HOLDINGS LIMITED**  
Aurora House, 61 Manchester Road, SHEFFIELD S10 5DY

goods, had a very good year. With the likelihood of more stable mohair prices, it is expected that exports will improve during 1978. The mill shop is attracting increasing trade and the garment manufacturing department continues to expand. A new extension to this unit has been completed and the company's overall order book is satisfactory.

Group exports increased from £2.87m. to £4.09m. with £1.95m. to the EEC, £0.71m. to the rest of Europe, £1.22m. to North America, £80,000 to Australasia, and £0.13m. to the rest of the world.

A statement of source and application of funds shows a decrease in net bank overdrafts and short term loans of £129,000 (£170,000). Meeting, Edinburgh on September 29 at 12.30 p.m.

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### First half upsurge by Pentland

FIRST HALF 1977 turnover of Pentland Industries expanded from £5.48m. to £6.97m. and pre-tax profits jumped from £0.30m. to £1.67m. For all 1978 turnover came to £10.81m. and profits were a multiple of 1977.

Mr. Stephen Rubln, the chairman, says that all sections of the business are growing steadily and subject to any unforeseen events, the results for 1977 should show a further marked improvement in turnover and profits.

Pentland's principal interests are the importing and exporting of general merchandise and footwear, warehousing and distribution, manufacturing of homebrew concentrates, freight forwarding and insurance broking.

Against the second half of last year when the recovery at Pentland Industries really took off, the interim profits are down by only £100,000, gives the directors a boost towards the second half (though this is becoming less marked) this suggests that all divisions are now in profit. The low tax charge reveals strong profit growth, particularly in the home brewing company, Unicam, and here there is scope for further improvements with new wine production on the market. So with the shoe business set to produce its strong second-half bias despite the new quota on selected goods, the directors could have £550,000 profits within grasp for the year. But at 16p the prospective p/e is 5.3 (on a low tax charge) while the yield of 6.4 per cent. is on the low side for this sort of stock.

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### General Engineering optimistic

In his annual statement, Mr. R. B. Ogden, the chairman of General Engineering Company (Radclyffe) says that the order levels continuing to rise and with the group's new product developments, the future looks very promising.

As known sales rose from £24m. to £124m. in the year to March 31 1977, but profits fell from £1.04m. to £0.81m. before tax.

Mr. Ogden tells members that results do not reflect the progress and continued their progress during the year. Development expenditure, all written off, was much higher than usual and delay in the placing of a number of large orders reduced activity for periods during which the full labour force was maintained at a very heavy cost.

The directors estimate the group needs to improve efficiency by a further 15 to 20 per cent. per annum to retain its position in the markets most important to it. The necessary improvements are already planned through method changes and investment.

In order to match the best conditions overseas, an overall improvement in real terms of some 60 per cent. in output per employee is required.

The U.S. and Italian subsidiaries have continued their progress and the newly formed French subsidiary has made a very promising start. Germany has shown some improvement but considerable further growth is needed there. Forward requirements in all these areas are good, and the group is also re-entering certain areas of Eastern Europe which were partially closed to it for some time due to the unsatisfactory financial terms involved in relation to the cash resources then available.

Exports from the U.K. including transfers to overseas subsidiaries totalled £8.52m. (£6.07m.), distributed as follows: EEC 9 (27) per cent., other European countries 31 (21) per cent., Australasia 14 (2) per cent., Asia 10 (22) per cent., N. America 5 (8) per cent., Middle East 20 (3) per cent., Africa 8 (14) per cent., and other 3 (13) per cent.

Mr. Ogden is to retire as chairman and will be succeeded by Mr. B. K. Bickland.

Meeting, Radcliffe on August 31 at noon.

**ROSEHAUGH JUMPS TO £64,650**

Revenue of Rosehaugh Company for the year to June 30, 1977, jumped from £15,468 to £64,650 subject to tax of £32,959 against £9,898.

Earnings are shown as 2.09p (0.37p) per 25p share and the dividend is increased from 0.1p to 0.86p net.



Sir Edward Lewis, chairman of Decca—progress on capital goods side more than offset downturn in consumer division.

### Amey Roadstone up £4½m.—to diversify

PRE-TAX profit of Amey Roadstone Corporation, a subsidiary of Consolidated Gold Fields, advanced from £13.62m. to £18.13m. for the year to June 30 1977 on turnover of £159.75m. against £145.86m.

The outlook for the current year continues to be dominated by the recession in the U.K. building and construction industry.

Amey Roadstone's principal interests are the importing and exporting of general merchandise and footwear, warehousing and distribution, manufacturing of homebrew concentrates, freight forwarding and insurance broking.

Mr. Mackenzie reports that at the start of the financial year business was good and this trend in both home and export markets continued throughout the year and is still continuing.

The satisfactory results have been helped by the progress of the programme of rationalisation, re-organisation and re-equipping of all the mills and also the reviewing of the home and export marketing policies.

## Lynton Holdings

Distributable profits £470,000—up 53%

Dividend 11.3%—up 10%

Earnings per share—5.35p from 3.51p

Shareholders funds £15.9 million from £10.8 million

Investments in excess of £40 million

Maurice Lambert, Chairman

Copies of the full 1976/77 Report and Accounts are obtainable from 1/2 Masons Arms Mews, Maddox Street, London W1R 0JY.

### Revertex downturn in first-half

DESPITE AN increase in turnover from £10.08m. to £20.54m., pre-tax profits of Revertex Chemicals fell from £1.51m. to £1.57m. for the first half of 1977.

The interim dividend is held at 1.75p net per 25p share. Last year's total was 4.865p and pre-tax profits came to £3.3m.

Mr. E. F. Brookman, the chairman, says that the outlook for the remainder of the year does not give much cause for encouragement.

	6 months to 30.6.77	6 months to 30.6.76	Year to 31.12.76
Group turnover	20,540	10,080	44,780
Trading profit	1,570	1,510	3,720
Interest	140	140	310
Share of assoc.	317	301	860
Minorities	14	14	31
Profit before tax	1,841	1,812	5,360
Tax	280	280	714
Net profit	1,561	1,532	4,646
Minorities	82	115	102
Extraord. debits	41	123	178
Attributable	620	617	3,565
Dividend	187	187	463
Retained	433	430	1,104

comment

There were few surprises in Revertex's interim profit, unchanged dividend is a sign of confidence that the group has achieved a margin more than 3x the reason. The new company's caution seems to be showing improved investment in them.

While the directors do not expect any worsening of the position, they may have to wait until 1978 for a resumption of the growth trend. The chairman has decided that as he reaches retirement age in mid-1978, he will relinquish the chairmanship on December 31, 1977 but will remain as a non-executive director until his retirement. Sir Campbell Adamson, who joined the board on January 1977, has succeeded him as chairman.

Mr. Brookman says the increase in turnover was partly due to the inclusion for the first time of the sales of Prodorite, Revertex in Belgium, Max Adhesives and Sochimex.

### Two redeemable stocks from Islington

Arrangements have been completed for the issue by Islington Corporation of two different dated stocks involving a total of £22m. Some £10m. of 12½ per cent. Redeemable Stock 1982-84, will be issued at 89p each, together with £12m. of 12½ per cent. Redeemable Stock at 89p each.

Both stocks will be £10 per cent. payable on application with calls of £40 per cent. on October 7 and the balance on December 2. Interest is payable half yearly with the first payment of £0.0405 per cent. on the 12½ per cent. stock and £0.2951 per cent. on the 12½ per cent. stock both due on April 30, 1978.

Application lists close on Thursday, September 8 while the brokers to the issues are Seaford.

### Harold Ingram

Exports a bright picture in a difficult year

Sales for the year to 30th April, 1977 were £8,041,370 against £6,549,821 and the profit before tax amounted to £418,669 compared with £448,399. Net dividends totalled 2.81p per share against 2.56p.

Commenting on results Mr. Ingram, the Chairman, said there had been a sudden, sharp drop in sales to U.K. outlets during the third quarter of the year and the trend accelerated in the final quarter. The explanation appeared to be in the savage squeeze on disposable incomes plus very poor weather conditions which severely affected the sale of summer merchandise.

He continued:

Exports present a brighter picture, increasing from £694,272 to £1,168,178. Forward orders for overseas are 2½ times the Sterling value of those we had at this time last year. In the hope of stimulating these still further, we shall shortly open an office in West Germany.

Designers & manufacturers of knitted garments

## Cement-Roadstone

IRELAND'S LARGEST INDUSTRIAL COMPANY

### INTERIM STATEMENT

	28 weeks to 13 July 1977	28 weeks to 14 July 1976	Increase %
Sales	£68.6m	£55.8m	+23
Pre-tax Profit	£ 6.6m	£ 5.5m	+19.8
Earnings per Share	4.71p	3.94p	+19.5
Dividend per Share (Net)	1.95p	1.4625p	+33.3

"Encouraged by upturn in confidence that good economic growth can be achieved in Ireland, we expect reasonable improvement on last year's pre-tax profit of £11.66m."

Copies of the Interim Report may be obtained from the Secretary, P.O. Box 101, 19 Lower Pembroke Street, Dublin 2.

**Cement-Roadstone Holdings Limited**





BIDS AND DEALS

Charringtons agrees to Coalite counter-bid

COALITE AND CHEMICAL, the UK's biggest manufacturer of smokeless fuel, has announced the bid. "We stepped in with an agreed £20m counter bid for Charringtons Industrial Holdings in the light of opposition to the rival offer from Laird Group by the Charringtons Board.

MINING NEWS

Uranium sales freeze wounds Eldorado

THE CANADIAN Government's freeze on uranium exports to EEC countries and Japan has caused a sharp reduction in the half-year net profits of the state-owned mining, processing and refining group, Eldorado Nuclear.

EEC investigates City foreign exchange dealers

THE EUROPEAN Commission confirmed yesterday that it has given the British Bankers Association and the London Foreign Exchange and Currency Deposit Brokers Association (FECDBA) a three weeks deadline to answer complaints that they operate restrictive agreements contrary to EEC anti-cartel regulations.

Derritron puts up £1m for BEC

Derritron, which is 78.6 per cent owned by Amalgamated Industrialists, is making an offer of 25p in shares or 24p in cash a share for British Electronic Controls, three or whose directors with the support of major shareholders had previously bid 25p a share in cash.

Approach to TPT by major U.S. holder

TPT, the paperboard and plastics packaging company, has received an approach from its major shareholder Sonoco Products of the U.S. which may lead to an offer for the shares not already owned by Sonoco.

Tin projects launched in Malaysia

TWO LONDON mining groups, The Rio Tinto-Zinc group and Gopeng Consolidated, are to take part in Malaysian tin projects under terms of ownership which respect the provisions of Malaysia's New Economic Policy.

ROUND-UP

The acquisition of the Aberfoyle tin mines last October enabled Abmin of Melbourne, the company formerly known as Cleveland Tin, to record a net profit of \$11.3m.

MINING SUPPLIES LIMITED

(Designers and manufacturers of mining machinery, forgings and castings)

Record of Growth

Table with 2 columns: Year, Sales £000's, Pre-tax Profit £000's. Data for 1973-1977.

The growth being achieved is the result of planned investment in capital equipment, factory space and land and also heavy investment in research and development which will give us the opportunity for continued growth especially in the coal mining industry.

Application was made to the Treasury for an increase in dividend to 1.5p but was limited to 1.1p per share in accordance with the current legislation.

RHEEM/REDFEARN

Replying to the rejection by the Redfearn directors of the Rheem offer, the Rheem chairman tells Redfearn investors: "Our financial advisers, Morgan Grenfell and Company, share our view that our proposals are highly advantageous to shareholders and provide you with an opportunity to realise a value for your shares that are acquired by Rheem substantially higher than has been possible in the past or, in the absence of an offer, is likely in the foreseeable future."

CORN EXCHANGE

Further to the announcement that Mr. R. A. Brierty, chairman of Brierty Investments, was negotiating for the purchase of 341,200 Corn Exchange Ordinary shares, the CE Board states that it has been informed by Grindlay Brindley that these shares have now been purchased by Industrial Equity of Sydney.

KAISER DELAYS COAL PROJECT

The Vancouver group, Kaiser Resources, has been foiled in its attempt to develop a new metallurgical coal deposit in the Selangor area of Perak.

World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on September 5, 1977. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise.

Table with 3 columns: Place and Local Unit, Value of £ Sterling, Place and Local Unit, Value of £ Sterling. Lists various international currencies.

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue / August, 1977 \$150,000,000

Manufacturers Hanover Corporation

8 1/2% Sinking Fund Debentures Due August 15, 2007 Interest payable February 15 and August 15

- List of financial institutions: Salomon Brothers, Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith, Blyth Eastman Dillon & Co., The First Boston Corporation, Dillon, Read & Co. Inc., Lazard Freres & Co., Loeb Rhoades & Co. Inc., Smith Barney, Harris Upham & Co., Bache Halsey Stuart Shields, Donaldson, Lufkin & Jenrette, Drexel Burnham Lambert, Hornblower, Weeks, Noyes & Trask, E. F. Hutton & Company Inc., Keefe, Bruyette & Woods, Inc., Kidder, Peabody & Co., Kuhn Loeb & Co., Reynolds Securities Inc., M. A. Schapiro & Co., Inc., Warburg Paribas Becker, Wertheim & Co., Inc., White, Weld & Co., Bear, Stearns & Co., L. F. Rothschild, Unterberg, Towbin, Shearson Hayden Stone Inc., ABD Securities Corporation, Basle Securities Corporation, Daiwa Securities America Inc., EuroPartners Securities Corporation, Robert Fleming, Kleinwort, Benson, New Court Securities Corporation, The Nikko Securities Co., Nomura Securities International, Inc., Scandinavian Securities Corporation, SoGen-Swiss International Corporation, UBS-DB Corporation, Yamaichi International (America), Inc.

That part of the French community in Africa formerly part of French West Africa or French Equatorial Africa... The Duzars has replaced the CFA franc. The exchange rate is now fixed at a rate of CFA F. 25 to one unit of the new currency.

Thomas Cook Bankers Thomas Cook Travellers Cheques The accepted name for money. Worldwide

Vertical advertisements on the right edge: Insurance for government, Fare cost expected, Dun and Bradstreet, LAND INDUSTRIES LIMITED, TRIST LIMITED.

HOME NEWS

Government urged to slow Sea oil plan for 20 years

DAFTER ENERGY CORRESPONDENT... GOVERNMENT has been urged to slow down its plans for a North Sea oil development...

There should be a firm commitment to a steady programme of nuclear installation... Greater emphasis should be laid on conservation research and development...

Council plan is 'madness'

AN ECONOMIC plan prepared for Strathclyde Regional Council is "madness," a Scottish National Party leader claimed yesterday...

FINANCIAL TIMES BRACKEN HOUSE, 10, CANNON STREET, LONDON EC4AP 4BT... INTERNATIONAL AND BRITISH OFFICES... EDITORIAL OFFICES... ADVERTISEMENT OFFICES... SUBSCRIPTIONS

Leader of Communist Party dies

IN GOLLAN, former Secretary of the Communist Party in London, died yesterday, aged 66...

Insurance groups attack plan for government controls

PROPOSALS that the investment of insurance funds should be subject to Government direction were attacked yesterday by the British Insurance Association...

Fare concessions for elderly expected to cost £76m.

THE TOTAL cost to local authorities in England and Wales of bus fare concessions for the elderly, blind and disabled is expected to amount to £76m for the last financial year...

£50,000 scheme to beat bus and train cheats

LONDON TRANSPORT is introducing a £50,000 identity card scheme for some season ticket holders to cut down on fraudulent travel...

Relations 'threatened'

COMMISSIONER for Scotland has expressed serious concern that the 1976 Race Relations Bill is being undermined...

PENTLAND INDUSTRIES LIMITED STEADY GROWTH CONTINUES... Six months ended 30.677 (€000) 30.678 (€000)...

ROSSFRIARS TRUST LIMITED Financial Statement for year to 30th June... 1977 1976...

Courts (Furniture) Limited... Over 100 stores worldwide... 31.277 31.278...

Minister's U.S. investment bid... By Ray Perman, Scottish Correspondent... MR. RUCE MILLAN, Secretary of State for Scotland, is to visit New York, Chicago and Cleveland next week...

Cross-Channel fares reduced... CROSS-CHANNEL fares for cars were reduced on Townsend Thoresen routes yesterday with the introduction of the company's autumn tariff...

Shop campaign... SWPOL is trying to attract shoppers from as far away as France, Sweden and Germany... Pamphlets in six languages are being distributed to show visitors where the main shops are in Ipswich...

Moran Bros., Inc. 480,000 Shares Common Stock... Smith Barney, Harris Upham & Co. Underwood, Neuhaus & Co. Bache Halsey Stuart Shields Blyth Eastman Dillon & Co. Drexel Burnham Lambert...

Manufacturers Hanover Corporation 2,750,000 Shares Common Stock (\$7.50 Par Value)... All of these securities having been sold, this announcement appears as a matter of record only. New Issue / August, 1977...

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Rey sells Bally stake to Oerlikon-Bührle

BY JOHN WICKS

AFTER weeks of speculation as to the future of the controlling interest in C. F. Bally AG, vice-president Werner K. Rey has now agreed to sell his stake in the Swiss shoe concern...

Earnings rise at Alfa-Laval

By William Dullforce

STOCKHOLM, Sept. 5.

IN SPITE of falling margins occasioned by tougher competition and heavy cost increases in Sweden, Alfa-Laval, the dairy and farm equipment and industrial separator group, shows improved first-half earnings of Kr.140m.

FRENCH FERTILISER INDUSTRY

Gardinier in Dutch deal

BY DAVID CURRY

PARIS, Sept. 5.

THE FAMILY-DOMINATED concern Gardinier has put a spoke in the French Government's plans to restructure the privately-owned part of the country's fertiliser industry by agreeing in principle to the takeover of its French interests by the Dutch State Mines' Group company Unie van Kunststof-Fabrieken (UNKF).

has recently married its fertiliser interests with those of the Enterprize Miniere et Chimique (EMC) concern which is also state-owned to create an enterprise with a Frs.1.5bn. a year turnover.

The company is planning to cede to the Dutch concern more than 50 per cent of Societe des Participations Gardinier (SOPAG), the holding company which pulls together the various Gardinier interests in France and which itself is controlled to the tune of some 62 per cent by members of the Gardinier family.

Gardinier realised some Frs.320m of sales last year in France for a production of around 1.7m tonnes while its U.S. operation, Gardinier River, produced 1.9m tonnes of fertiliser from its two factories and chucked up Frs.1.5bn. in sales.

The state-controlled sector of the French fertiliser industry has already been re-organised at the behest of the Government which has been working out a parallel restructuring of the private sector.

But by the same token, the remaining private sector companies in France, to say nothing of CDF-EMC still digesting its merger, may find the competition of UNKF in a difficult market with a broad product range extremely threatening.

Nevertheless, Mr. Hans Stabile, the managing director, now predicts that 1977 earnings will reach the 1976 level of Kr.27m, instead of falling.

The problem with seeking a solution via CDF-EMC will be the additional financial burden it will throw on the already long chapter of subsidy written for industrial reconstruction.

GERMAN NEWS

Mannesmann sales declining

BY GUY HAWTHORN

FRANKFURT, Sept. 5.

MANNESMANN, the West German steel tube, machine tool and industrial plant construction group, has confirmed that the decline in sales noted in the first quarter has continued throughout the first half.

Manufacturing sector. Delivery levels had fallen and earnings in the sector had been under pressure.

Group external turnover for the opening six months of 1977 totalled DM4,980m. (€1,230m.), some 7 per cent down on the DM5,360m. reported for the same period of last year.

CONCERN turnover during the opening six months of 1977 totalled DM713m. (€176.2m.), 9 per cent ahead of sales during the same period of last year.

The main cause of the downturn was heavy fall in exports to the group's overseas subsidiaries. These dropped to DM1,080m. in the first half 1977—some 18 per cent down on a turnover of DM1,340m. reported in the same period of 1976.

There has been a measurable improvement in overseas business, according to the report. Sales in the first six months of 1977, overseas sales had increased by 20 per cent.

THE COMMERCIAL vehicle division of Maschinenfabrik Augsburg-Nürnberg (MAN) has produced a cheerful report on the business year ended June 30.

During the first half of 1977, the company's share of the West German market for vehicles of eight tonnes and above increased from 20 per cent in the comparable period of last year to 23 per cent, and their market share for vehicles of 12 tonnes and over rose from 23 per cent to 26 per cent.

EUROBONDS

Argentina on sidelines with DM100m. issue

BY MARY CAMPBELL

THE DOLLAR sector of the market was very quiet yesterday, dealers reported a characteristic which also applied to first-time dealings in the Australian issue.

to comprise a DM300m. public issue and a DM100m. private placement.

Both the tranches of the Australian issue traded around 99 1/2 after par pricing.

This World Bank issue would be in addition to the DM1bn. plus of issues on the German market's regular calendar of foreign bond issues for September.

Several new issues have or are about to be announced outside the dollar sector.

In the Dutch guildler market the first Euro-note placement since before the holiday has now been announced.

Market sources report that a two-tranche issue for the World Bank is also due for announcement in the near future.

Despite this apparent desperate situation, Serlie said he was optimistic about the company's future.

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He forecast a deficit for 1977 as a whole over the job after the managing director-designate, administrative expert E. M. Raabstad decided last month to withdraw from the concern.

The mood of had news about Tandberg this year has hit sales of its products in Norway, and the company is facing a very serious liquidity crisis.

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Chairman quits KSH: restructure planned

By Michael van Os

AMSTERDAM, Sept. 5. DR. WIEL HOEFNAGLE, chairman of the troubled Dutch starch products and food manufacturer Royal Scholten Honig (KSH) has resigned, effective immediately, in anticipation of a far-reaching reorganisation of the company's activities.

A KSH statement published here said that Dr. Hoefnagle, who had been a State Secretary at the Dutch Finance Ministry before he joined the company seven years ago, believed his resignation would give the greatest possible chance for reorganisation plans.

The Dutch Ministry of Agriculture has said in The Hague the basis of two reports on a company drawn up by the National Investment Bank, the difficulties KSH has encountered could endanger the continuity of the whole concern.

The Ministry suggested KSH's potential for derivatives facilities be met with those of its main competitor in Holland, the Avebe group, which would serve to unnecessary competition duplication of costs.

The Ministry said also the loss-making situation in starch activities outside of Holland, specifically referred to the Glucose (isomerase) project Tilburg. The Ministry added however, that the results in groceries and wheat sector KSH were developing positive.

MONSANTO COMPANY AND SUBSIDIARIES

Statement of Consolidated Income

(Dollars in millions, except per share)

Table with columns for Three Months Ended and Six Months Ended, with rows for Net Sales, Cost of Goods Sold, Operating Income, etc.

H17 INTERNATIONAL GROWTH FUND

Société Anonyme, Headoffice: Luxembourg, 37, rue Notre-Dame, Trade Register: Luxembourg B 10.452

Notice of Meeting

Messrs. Shareholders are hereby convened to attend the General Meeting of the company which is going to be held on Wednesday 14th September, 1977 at 9.00 a.m. at 43, boulevard Royal, Luxembourg with the following agenda:

- Agenda: 1. To consider the reports of the directors and of the statutory auditors. 2. To approve the statement of assets at 30th June, 1977 and the statement of operations for the six month period ended on that date.

BRAZILIAN INVESTMENTS S.A.

Net Asset Value per Depository Share as of 31st August 1977 U.S.\$99.95

Midland International Financial Services B.V. U.S. \$75,000,000 8 3/4% Guaranteed Bonds 1992. Midland Bank Limited.

Mitsui & Co. (U.S.A.), Inc. \$50,000,000. Mitsui & Co., Ltd. Smith Barney, Harris Upham & Co. Goldman, Sachs & Co. Nomura Securities International, Inc.

AMP logo and other text on the right edge of the page.

NEWS FROM INDIA

Air India spends \$650m. on wide-bodied aircraft

By K. K. SHARMA

INDIA, the Government-owned international airline, plans to purchase another seven wide-bodied aircraft at a cost of over \$650m. in the next five or six years.

Mr. Fernandez announced in Parliament last month that the purchase would be phased over a period of five years. The Boeing 747 is the aircraft which will be purchased first.

Mr. Fernandez said that the Government was committed to the purchase of wide-bodied aircraft and that the purchase would be phased over a period of five years.

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Minister blames Coca-Cola

AN MINISTER OF INDUSTRY, Mr. George Fernandes, said today that the Coca-Cola Company is being run out of India because it "refused to conform to laws of the land."

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8% lift at Isuzu Motors forecast

Financial Times Reporter

ISUZU MOTORS, in which General Motors has a 44.2 per cent interest, has increased its profits forecast for the current financial year, to October 31, by almost 8 per cent.

Profits before tax and special items for the year ended March 31, 1977, were \$1,430m., compared with an earlier estimate of \$1,330m., Reuter reports from Tokyo.

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AUSTRALIAN NEWS

A strong recovery at APPM

By James Forth

ASSOCIATED PULP and Paper Mills made a strong recovery in 1976-77, boosting earnings from \$A2.5m. to \$A6.3m., and raising dividend from 6 cents a share to 8 cents.

The directors said the improvement was achieved because of a moderate improvement in real sales and contained growth of operating expenditure. Sales for the year rose 17 per cent from \$A120m. to \$A135m.

The directors said that manufacturing industry remained depressed during the year and operated at significantly less than capacity.

The profit gain was also assisted by a dip in tax, from \$A1.6m. to \$A1.1m., despite the recent lift in the company tax rate, from 42.5 per cent to 46 per cent.

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SYDNEY, Sept. 5

Adelaide Steamships made extra-ordinary profits in 1976-77 of \$A3.87m. This figure has already been exceeded in the current year, principally through the recent sale of \$A3.8m. of the company's shareholding in Coal and Allied Industries.

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Tax hits Mayne Nickless

MAYNE NICKLESS, major transport and security group, lifted revenue 16.5 per cent to \$A212m. in 1976-77 but only increased profit 6.6 per cent, from \$A8.7m. to \$A9.3m., reports James Forth.

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Takeover boost for Adelaide Steamship

ADELAIDE STEAMSHIP one of the most aggressive takeover specialists over the past 12 months, boosted profit 67 per cent, in 1976-77 and has raised its dividend payout, reports James Forth.

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Rescue plan for Rodange-Athus

By Guy de Jonquieres in Brussels

THE GOVERNMENTS of Belgium and Luxembourg have reached an agreement on a plan to deal with the crisis at the Rodange-Athus Steelworks, which has given rise to severe friction between the two countries over the past several weeks.

The rescue plan was hammered out at intensive negotiations between senior members of the two governments in Brussels over the week-end. It ultimately will be approved by rank and file employees at Rodange-Athus, who were voting on it this afternoon.

Rodange-Athus is the product of an unhappy merger a few years ago between two separate steelmakers in Belgium and Luxembourg, and its plants are located on either side of the frontier. Though registered in Luxembourg, its main shareholders are Belgian.

Though tiny by the standards of the industry, Rodange-Athus has provided jobs for about 4,500 workers in Northern Luxembourg and Southern Belgium, where alternative employment is almost non-existent.

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BY GUY DE JONQUIERES IN BRUSSELS

its threatened collapse, it would depress further the region's steel industry. The company's main products are rails and reinforcing bars, which have suffered from general recession in the industry.

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also decide in December on the company's longer-term future. The two main national steel companies, Arbed of Luxembourg and Cockerill of Belgium, have been instructed to prepare studies on how Rodange-Athus might be broken up and integrated into their own operations.

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BY GUY DE JONQUIERES IN BRUSSELS

Some 3,850 workers at the Ateliers de Construction Electriques de Charleroi SA (ACEC) plant began a strike today in protest against fines the management kept on some of the workers, company sources said.

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KAB's workforce cut back

By William Dullforce

THE STATE-owned iron and steel industry in Sweden is planning to cut back its workforce by 2,400 jobs in the next few months.

The workforce is scheduled to decline by 2,400 through the departure of employees reaching retirement age, being reassigned to other jobs, and through the loss of 2,400 jobs in the next few months.

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Companies face prosecution

AS MANY AS 982 Indian companies face prosecution for making donations to political parties.

Mr. Bhushan said that the Government would launch prosecutions. Some of the companies had said they had made the donations "under coercion."

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PIA's record profitability

Pakistan International Airlines reports record profits for 1976-77, and expects to reach a record 12,000 units in the next few months.

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DAF Trucks profit forecast

DAF TRUCKS, the Dutch lorry manufacturer, expects to double profits this year to \$20.2m. from the \$10.6m. profit of 1976, according to a company's house journal published in Eindhoven.





EEC ENLARGEMENT

# Signs of disquiet

BY REGINALD DALE, European Editor



President Suarez of Spain: Spain's pride is already ruffled.

SPAIN'S APPLICATION to join the EEC in the wake of Greece and Portugal should have served formal warning on the Nine that they must soon start asking themselves some searching questions about the Community's future. It is not just that the Nine will have to decide whether and if so, how the Community in its present undynamic state, can cope with another major extension so soon after the difficult absorption of Britain, Ireland and Denmark. Examination of the Spanish case should also concentrate attention on a number of existing Community policies where improvements are urgently needed, but on which the Nine Governments are in serious disagreement.

Of the three candidates, Spain, with its 35m. population, eighth ranking Western industrial power and an important agricultural producer and exporter, clearly poses by far the greatest difficulties. As the implications of Spanish entry have progressively dawned, particularly on the Community's main Mediterranean competitors, France and Italy, the signs of disquiet inside the Nine have become increasingly evident.

## Farmers

But it is not just French and Italian farmers who are worried. It is obvious to all the Nine that the entry of three relatively poor Mediterranean countries would lead to fundamental changes in the nature of the EEC and perhaps mark the point of no return from which the Community moves irrevocably in the direction of a looser free trade area dominated by its most powerful members. To some people, particularly in Britain and France, this would be a welcome development. To the Community's smaller members, and especially the Irish and the Benelux countries it is a source of comprehensible alarm.

But quite apart from the longer term ramifications of further enlargement, the Spanish request should reopen the debate on fundamental unresolved issues such as farm support under the CAP, the transfer of resources from richer to poorer members and the extent to which the Community can afford to follow liberal trade policies in periods of economic difficulty.

In an ideal world, the Nine would work out what sort of Community they really want and then negotiate with the candidates as to how they should fit into it. That would require a totally unattainable unity of purpose among the Nine. But there have been suggestions, notably from the Commission, that the Nine should at least concert their position towards all three countries and conduct the entry negotiations in parallel. "Globalisation" of the negotiations in Community jargon.

Such an approach would have obvious advantages. Many of the problems posed by the three countries, particularly on the agricultural side, are similar in nature if not in scale. It would also make sense to look at the future distribution of money from the Regional Fund, for example, in the overall context of a 12-nation Community rather than tackling each new candidate's potential share separately. Instead of simply adding on one or two extra members to the Commission each time a deal was struck with an individual applicant, the Nine could seriously examine whether they really need up to 17 Commissioners. Many people would argue that there are not enough proper jobs to go round among the existing 13.

The opportunity would arise for a thorough review of decision-making procedures in the Council of Ministers already cumbersome with Nine members. It would clearly be simpler to fix voting weights in a new 12-nation Council and the size of delegations to the European Parliament all at the same time. It might also be possible to take a look at the immensely delicate question of language—with the addition of Greek, Portuguese and Spanish, is the Community to move up to nine working languages from the present six? The case for streamlining at least deserves examination, even if national sensitivities make it extremely unlikely that it can be agreed in any formal way.

By now, it may well be too late to conduct this sort of operation for all three candidates. The Greek talks are well advanced, and Athens has been given assurances that its case will be handled separately on its own merits. In any case the time scale is different. While Greece is pressing for entry as soon as possible, both Spain and Portugal have indicated that they do not see themselves joining for at least a few more years, and both have talked in terms of longer transitional periods after entry than the five years that Greece is ready to settle for. If there is any link between the Greek negotiations and the other two,

open the Pandora's Box of Treaty revision—who knows, for instance, that the majority of the British Labour Party might not take the opportunity to press for something falling short of full membership for Britain too?

## Second-class

Secondly, it is a pretty sure bet that Madrid would never accept an arrangement that so obviously singled out Spain as some kind of second-class member. Spanish pride is already ruffled at the state of objections to its entry on agricultural grounds, when the Community's past line has always been that the country would be warmly welcomed as soon as democracy was restored.

One answer could be to allow the Iberian countries in when they want, but with extremely long transitional periods in all sensitive areas, in the hope that the problems will either go away or be dealt with inside the enlarged Community. But other ideas have been floated. One is to satisfy the candidates' need for endorsement of their new political respectability by admitting them to the Nine's political co-operation discussions, but postpone economic integration. Another suggestion, reportedly favoured by Germany, is that the candidates should be admitted, but allowed a full voice in the Council of Ministers only in areas where they had completed the process of integration.

Neither of these last two suggestions has found many backers. But the fact remains that few of the Nine are yet ready to apply Rome Treaty rules of free movement to Spain for one reason or another. While France and Italy want protection against Spanish farm exports, Germany is deeply concerned at the prospect of a new flood of immigrant workers. Britain will hardly welcome stronger competition from Iberian textile and steel mills, to say nothing of cars.

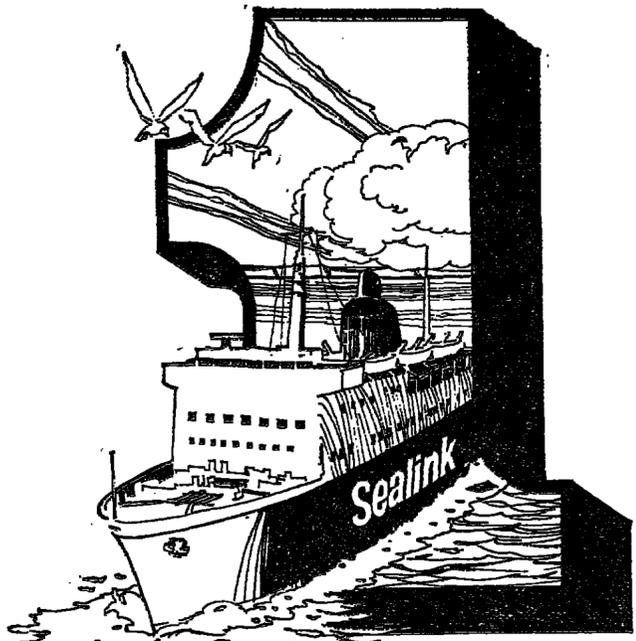
Nor is there any sign that Germany, or anyone else, will be prepared to foot the bill for the enormous increases in expenditure that will be inevitable if the Community's present agricultural and regional policies are applied to the Iberian peninsula. The Com-

mission was so distressed preliminary estimates of horrifying cost of extending present CAP to Spain tore up the figures and publishing them. Return the policy before admitting Spain would be one answer. But French demand for greater protection of Mediterranean products almost certainly lead to not less spending.

Britain, rather than press its own ideas for agricultural reform, appears to be playing waiting game. Mr. John Gummer, the Minister of Agriculture, believes that the best way to demolish the present CAP is to bring Spain in with policy unreformed, and that the colossal new expenditure brings it crashing to be replaced by a system national farm support, hardly likely to increase enthusiasm for Spanish entry in Paris or Rome.

A host of other problems remain to be tackled. It has already, unsuccessfully demanded assurances for current receipts of the finance must not be diminished and that majority voting become the rule, when the Community is enlarged—backed by the Belgian-Dutch. Britain may have a problem over the same mechanism designed in that its budgetary control do not rise too fast. The animus, a hard won one from the "renegotiations" applies so long as the gross national product per capita is less than 85 per cent of Community average. An average is bound to come if all three candidates join; these issues could lead to disputes inside the Nine.

In recent years, the Community has generated little confidence in its ability to solve its own problems, let alone create by further enlargement. It is just possible that the Spanish application will lead to a more serious examination of the area. The CAP and regional reforms are needed, but it is hard to see the system can accommodate three new members. By its request in Brussels last week, Spain has set the Community one of its severest yet.



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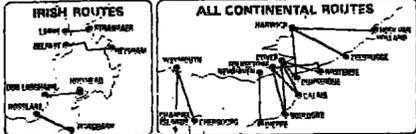
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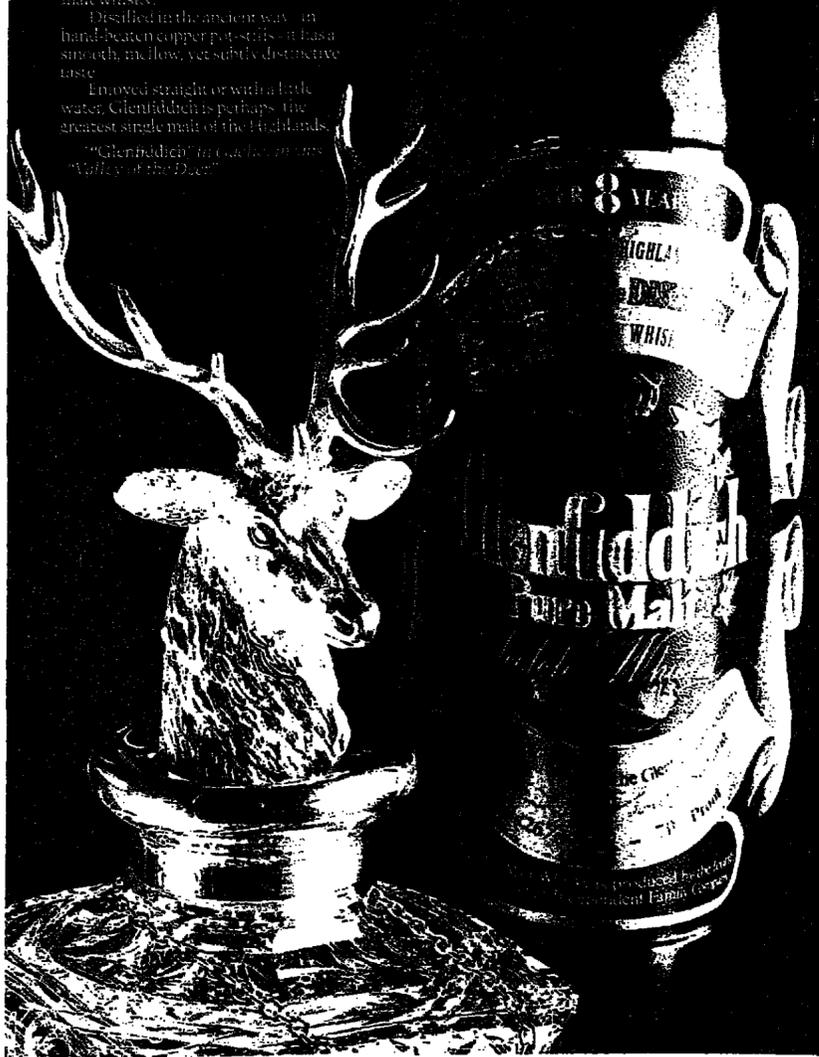
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#### DEBENTURES OF \$1,000 EACH

M-28	1117	2103	3013	3909	4826	5387	6272	7274	8193	9040	9813	10706	11387	12416	13283	14112
104	1160	2114	3028	3916	4841	5402	6287	7289	8208	9055	9828	10721	11402	12431	13298	14127
110	1121	2125	3039	3927	4852	5413	6298	7300	8219	9066	9839	10732	11413	12442	13309	14138
116	1182	2136	3050	3938	4863	5424	6309	7311	8230	9077	9850	10745	11424	12453	13320	14149
122	1201	2147	3061	3949	4874	5435	6320	7322	8241	9088	9861	10756	11435	12464	13331	14160
128	1262	2158	3072	3960	4885	5446	6331	7333	8252	9099	9872	10767	11446	12475	13342	14171
134	1323	2169	3083	3971	4896	5457	6342	7344	8263	9110	9883	10778	11457	12486	13353	14182
140	1384	2180	3094	3982	4907	5468	6353	7355	8274	9121	9894	10789	11468	12497	13364	14193
146	1445	2191	3105	3993	4918	5479	6364	7366	8285	9132	9905	10800	11479	12508	13375	14204
152	1506	2202	3116	4004	4929	5490	6375	7377	8296	9143	9916	10811	11490	12519	13386	14215
158	1567	2213	3127	4015	4940	5501	6386	7388	8307	9154	9927	10822	11501	12530	13397	14226
164	1628	2224	3138	4026	4951	5512	6397	7399	8318	9165	9938	10833	11512	12541	13408	14237
170	1689	2235	3149	4037	4962	5523	6408	7410	8329	9176	9949	10844	11523	12552	13419	14248
176	1750	2246	3160	4048	4973	5534	6419	7421	8340	9187	9960	10855	11534	12563	13430	14259
182	1811	2257	3171	4059	4984	5545	6430	7432	8351	9198	9971	10866	11545	12574	13441	14270
188	1872	2268	3182	4070	4995	5556	6441	7443	8362	9209	9982	10877	11556	12585	13452	14281
194	1933	2279	3193	4081	5006	5567	6452	7454	8373	9220	9993	10888	11567	12596	13463	14292
200	1994	2290	3204	4092	5017	5578	6463	7465	8384	9231	10004	10899	11578	12607	13474	14303
206	2055	2301	3215	4103	5028	5589	6474	7476	8395	9242	10015	10910	11589	12618	13485	14314
212	2116	2312	3226	4114	5039	5600	6485	7487	8406	9253	10026	10921	11600	12629	13496	14325
218	2177	2323	3237	4125	5050	5611	6496	7498	8417	9264	10037	10932	11611	12640	13507	14336
224	2238	2334	3248	4136	5061	5622	6507	7509	8428	9275	10048	10943	11622	12651	13518	14347
230	2299	2345	3259	4147	5072	5633	6518	7520	8439	9286	10059	10954	11633	12662	13529	14358
236	2360	2356	3270	4158	5083	5644	6529	7531	8450	9297	10070	10965	11644	12673	13540	14369
242	2421	2367	3281	4169	5094	5655	6540	7542	8461	9308	10081	10976	11655	12684	13551	14380
248	2482	2378	3292	4180	5105	5666	6551	7553	8472	9319	10092	10987	11666	12695	13562	14391
254	2543	2389	3303	4191	5116	5677	6562	7564	8483	9330	10103	10998	11677	12706	13573	14402
260	2604	2400	3314	4202	5127	5688	6573	7575	8494	9341	10114	11009	11688	12717	13584	14413
266	2665	2411	3325	4213	5138	5699	6584	7586	8505	9352	10125	11020	11699	12728	13595	14424
272	2726	2422	3336	4224	5149	5710	6595	7597	8516	9363	10136	11031	11710	12739	13606	14435
278	2787	2433	3347	4235	5160	5721	6606	7608	8527	9374	10147	11042	11721	12750	13617	14446
284	2848	2444	3358	4246	5171	5732	6617	7619	8538	9385	10158	11053	11732	12761	13628	14457
290	2909	2455	3369	4257	5182	5743	6628	7630	8549	9396	10169	11064	11743	12772	13639	14468
296	2970	2466	3380	4268	5193	5754	6639	7641	8560	9407	10180	11075	11754	12783	13650	14479
302	3031	2477	3391	4279	5204	5765	6650	7652	8571	9418	10191	11086	11765	12794	13661	14490
308	3092	2488	3402	4290	5215	5776	6661	7663	8582	9429	10202	11097	11776	12805	13672	14501
314	3153	2499	3413	4301	5226	5787	6672	7674	8593	9440	10213	11108	11787	12816	13683	14512
320	3214	2510	3424	4312	5237	5798	6683	7685	8604	9451	10224	11119	11798	12827	13694	14523
326	3275	2521	3435	4323	5248	5809	6694	7696	8615	9462	10235	11130	11809	12838	13705	14534
332	3336	2532	3446	4334	5259	5820	6705	7707	8626	9473	10246	11141	11820	12849	13716	14545
338	3397	2543	3457	4345	5270	5831	6716	7718	8637	9484	10257	11152	11831	12860	13727	14556
344	3458	2554	3468	4356	5281	5842	6727	7729	8648	9495	10268	11163	11842	12871	13738	14567
350	3519	2565	3479	4367	5292	5853	6738	7740	8659	9506	10279	11174	11853	12882	13749	14578
356	3580	2576	3490	4378	5303	5864	6749	7751	8670	9517	10290	11185	11864	12893	13760	14589
362	3641	2587	3501	4389	5314	5875	6760	7762	8681	9528	10301	11196	11875	12904	13771	14600
368	3702	2598	3512	4400	5325	5886	6771	7773	8692							

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# Rain and frosts hit grain harvest in Canada

By Christopher Parkes

RAIN and frosts have delayed and damaged the cereals harvest in Canada, some of which is still in the ground. For the past two weeks rain has been falling steadily on large areas where the grain had been cut to await collection and threshing.

Some of the grain has begun to sprout, and although yields overall are expected to be up to or even higher than average, quality has been reduced.

The harvest in Alberta has been at a virtual standstill for the last week, says the state's Department of Agriculture.

Alberta had two fairly extensive frosts late last week, but it is too soon to judge the effect on yields.

The Saskatchewan Department of Agriculture said that 75 per cent of all crops were cut and lying in the fields.

With a warmer August most would have been picked up now, but only 30 per cent has been collected so far.

Sprouting, which is not prevalent yet, could soon become a serious problem. But two weeks of good weather from now on could see most of the crop safely in store.

Killing frosts affected the north-western part of the state worst, causing most damage to rapeseed crops which were planted late and were still flowering. Some have been ploughed back into the field.

In Manitoba, only 10 to 20 per cent of the crop is harvested.

Wheat yields for the province is estimated at a record. The crop is heavy, but quality may fall, because of harvest delays.

In Gainsborough, Ont., the shipment of durum wheat to the port of origin in Holland with the first load this morning.

Yesterday afternoon the grain's purchasers, Whittow and Curtis Ltd. of London, were issued with a "certificate" requiring "export" by a Ministry of Agriculture inspector.

On Saturday the 106 tonnes of wheat taken off the ship and stored in a silo were fumigated to kill off the beetles—a much-feared pest which attacks potatoes. Plan was then to fumigate the remaining 492 tonnes of the cargo before allowing it on shore.

But after further inspections, Ministry officials decided to avoid all further risk of importing the insect into the heart of Britain's potato-growing area, and send the ship, grain, beetles and all back to Holland.

The Ministry said yesterday that the landed grain was to be loaded back on to the ship which would then be fumigated. The ship has to leave the U.K. by midnight tomorrow.

Although inspectors were confident that no beetles had escaped, they will be visiting farmers within a two- or three-mile radius of the docks asking them to keep a watch for any signs of the pest. They may have braved the bad flying weather over the week-end and taken to the air.

# Rubber at new peak for year

By Richard Mooney

THE RECENT upturn in rubber prices was maintained yesterday with the RSS No. 1 spot price on the London physical market reaching a new 1977 peak of 36.25p a kilo.

European markets have been led upwards by the Eastern markets over the past couple of months and the rise there has generally been attributed to Communist buying, first by Russia, and more recently by Bulgaria and Korean buying interest has also been reported.

Further upward pressure has been provided by concern over port strikes in the U.K. and fears of a possible U.S. longshoremen's strike at the end of October as well as news that the U.S. stockpile policy review, which is primarily expected to be announced at the end of this week.

If the Ford administration's policy is altered to this could mean a five-fold increase in the U.S. strategic rubber stockpile to 500,000 tonnes—equivalent to about 15 per cent of total world natural rubber production.

THOUGH COPPER trading on the London Metal Exchange yesterday was heavily influenced by the U.K. closing price, there was a sharp advance in London on Friday evening, mainly due to shorts covering in New York ahead of yesterday's Labour Day holiday and on natural rubber prices in the General Services Administration stockpile.

Prices eased back yesterday morning and by the end of the day cash winners were quoted 513.5 higher on balance at 599.1 a tonne.

Copper stocks held in LME warehouses rose 675 tonnes last week to 610,075 tonnes.

The prices opened lower in line with the Penang market. The rise in copper and a larger than expected fall in warehouse stocks of last year, which ended in a tonne boost of value but the cash price still ended only £80 lower at £6,150 a tonne.

Lead and zinc prices moved higher in line with the tone in copper. Lead warehouse stocks rose to 23,925 tonnes and zinc stocks fell 1,550 tonnes to 74,755 tonnes.

# Experts press for two-year ban

By Robert Del Quairo, recently in Lima

FISHERIES experts are pressing the quality of the meal will attract customers for as much as can be made available — is still realistic.

Since time immemorial, the anchovy has occasionally gone missing because the cold current from the Antarctic which carries the plankton on which they live has been diverted by El Niño, a warm current from the north.

But the worst enemy of the fish has been the policy of massive catching pursued by the nationalised fishing industry under the present military Government in 1976-7.

It brought immediate large returns in hard currency at the time. But since then the disappearance of millions of sea birds which fed on the anchovies and other ecological disturbances which must be repaired.

Although stocks of food fish have risen in Peruvian waters, there are nowhere near enough for them to make up for the anchovy.

Besides, the processing of other fish, such as ardmes, yields as much protein as the anchovy. As it happens, Peru will use all the fish it produces this year. But in future fish oil available for export may be more trouble to store and sell than the fish itself.

The Peruvian fishing industry has been adjusting to make itself more competitive. In 1975 it took between 52 and 53 tonnes of fish to yield one tonne of meal. Now the ratio is 4.7 to one.

What they achieved partly by technical improvements, but also by reducing the numbers of plants and personnel, some installations having been sold to the United Arab Emirates and other Middle Eastern countries.

For the moment, the state seems prepared to keep the 44 fishmeal plants remaining from among those nationalised in 1970.

They have a total capacity of around 4,400 tonnes of anchovy an hour—sufficient to turn into meal in about 35 days the entire Peruvian catch of last year. It would be no surprise if the Government were soon to decide to sell off some of its under-used plants.

Labour relations in the industry are abrasive, following a five-week strike which ended last November. Fishermen were protesting at their loss of pay and benefits as state employees through the 500-boat fleet being sold back to private operators, a process which was completed at the end of June.

The strikers had settled for what they regarded as inadequate terms, and were further upset by regulations which made it much easier for former boat and plant owners to buy boats than for the fishermen themselves.

Government officials say 5,000 of the 13,000 employees in the industry are superfluous, and private employers in the business claim that half the employees are unnecessary, particularly with the anchovy so scarce.

# EEC asked to cut sugar output

By Canute James

THE 22-member group of Latin American and Caribbean sugar exporting countries has asked the European Economic Community to be "more flexible" in next week's International Sugar Agreement talks in Geneva, and so increase the chances of a settlement.

The group has also asked the EEC to cut its sugar production and exports because the subsidised sugar industry in Europe is proving too competitive for producers and exporters in the third world.

At the end of a week-long meeting here the exporters sent a note to the EEC through the Belgian Embassy in Kingston.

The group produces 32 per cent of the world's sugar, and accounts for 60 per cent of world exports.

The range is three cents higher than that which came out of the July meeting in London.

However, the group could not agree on proposals for the establishment of buffer stocks. Nor could it put together an acceptable formula on sugar export quotas.

Our correspondent reports from Canberra that Australian Government and sugar industry officials believe there could be a breakthrough within the next few days in the form of a mid-crop season, ended September 31, which was estimated at 1,516,000 tonnes.

It brought cumulative purchases for the season so far to 9,863 tonnes, compared with 7,108 tonnes in the first 11 weeks of last year, which ended on August 13.

Renewed hopes for a settlement are based on the apparent willingness of the Japanese Government to intervene indirectly in the negotiations and the Australian company, CSR, the marketing agent for all Australian sugar.

Since July 12, Japanese refiners, however, have refused to accept ship shipments or pay for them. Eight shiploads of sugar have reached Japan and two more are in transit. The total value of the cargoes is \$A64m. (\$24m.).

# GHANA COCOA PURCHASES

ACCRA, Sept. 5.

The Ghana Cocoa Marketing Board announced that purchases for the 1977-78 season, under the mid-crop season, ended September 31, were estimated at 1,516,000 tonnes.

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# Israel plans more fruit exports

TEL AVIV, Sept. 5.

ISRAEL EXPECTS to increase its exports of fresh agricultural produce by 18 per cent to \$427.8m. in the agricultural year starting October 1. It follows a rise of 16 per cent in the year drawing to a close compared with 1976-7.

The value of citrus exports has increased only slightly from \$78.4m. in 1975-76 to \$78.8m. in 1976-77 with \$100m. forecast for the coming season.

But big increases are seen in shipments abroad of fresh vegetables and flowers are handled by Agrexco, which reports a sharp upswing in sales to Northern Germany, the figure of \$27.7m.

A 45 per cent rise in the export of flowers and plants to \$45.5m. from \$31.4m. and \$20m. in 1975-76 is also expected. The value of fruit sold abroad should also rise 34 per cent to \$31m. from \$22.9m.

Government forecasts increased sales of field crops and seeds (cotton, groundnuts, etc.), with the value of exports going up to \$77.7m. from \$62.7m.

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The range is three cents higher than that which came out of the July meeting in London.

However, the group could not agree on proposals for the establishment of buffer stocks. Nor could it put together an acceptable formula on sugar export quotas.

Our correspondent reports from Canberra that Australian Government and sugar industry officials believe there could be a breakthrough within the next few days in the form of a mid-crop season, ended September 31, which was estimated at 1,516,000 tonnes.

It brought cumulative purchases for the season so far to 9,863 tonnes, compared with 7,108 tonnes in the first 11 weeks of last year, which ended on August 13.

Renewed hopes for a settlement are based on the apparent willingness of the Japanese Government to intervene indirectly in the negotiations and the Australian company, CSR, the marketing agent for all Australian sugar.

# Dine copra prices rise

MANILA, Sept. 5.

COPIA exports rose last month from July, compared with August last year, say Philippine Coconut Authority officials.

The first eight months of 1977 to 313,568 tons, down 53 in the same period.

Account of exports last month from July's 85,913 in August last year, the eight-month total is down from 573,708.

# P KILLED EATHER

2m. sheep are estimated to have died in the Santa Cruz province of heavy snow-every weather.

# COMMODITY MARKET REPORTS AND PRICES

METALS			
Rubber on the London Metal Exchange was heavily influenced by the U.K. closing price, there was a sharp advance in London on Friday evening, mainly due to shorts covering in New York ahead of yesterday's Labour Day holiday and on natural rubber prices in the General Services Administration stockpile.			
Prices eased back yesterday morning and by the end of the day cash winners were quoted 513.5 higher on balance at 599.1 a tonne.			
WHEAT			
The Ghana Cocoa Marketing Board announced that purchases for the 1977-78 season, under the mid-crop season, ended September 31, were estimated at 1,516,000 tonnes.			
It brought cumulative purchases for the season so far to 9,863 tonnes, compared with 7,108 tonnes in the first 11 weeks of last year, which ended on August 13.			
Renewed hopes for a settlement are based on the apparent willingness of the Japanese Government to intervene indirectly in the negotiations and the Australian company, CSR, the marketing agent for all Australian sugar.			

# SOYABEAN MEAL

Marked a mid- and around unchanged and values fluctuated within narrow range and in light rains with Chicago market closed. S.A. market quiet.

There was a sharp advance in London on Friday evening, mainly due to shorts covering in New York ahead of yesterday's Labour Day holiday and on natural rubber prices in the General Services Administration stockpile.

Prices eased back yesterday morning and by the end of the day cash winners were quoted 513.5 higher on balance at 599.1 a tonne.

# PRICE CHANGES

Sept 6		Sept 5	
1977	1976	1977	1976
Metals			
Copper	599.1	583.6	583.6
Aluminium	242.5	242.5	242.5
Zinc	610.1	610.1	610.1
Lead	615.0	615.0	615.0
Steel	25.0	25.0	25.0
Grains			
Wheat	36.25	36.25	36.25
Barley	25.0	25.0	25.0
Rubber			
RSS No. 1	36.25	36.25	36.25
RSS No. 2	35.0	35.0	35.0

# PANY NOTICES

AMERICAN UNITED KINGDOM FREIGHT CONFERENCE

NOTICE TO IMPORTERS

CV ADJUSTMENT

NOTICE TO EXPORTERS

ATLANTIC CONTAINER LINE G.I.S.

THE TOR INVESTMENT TRUST LIMITED

INVESTMENT BANK

FREE GIVEN IN

GOURMET

GRAINS

COCAO

RUBBER

MEAT/VEGETABLES

JUTE

GRINSEY FISH

WOL FUTURES

Wool futures unchanged to shade better, London market.

Jute market steady.

Grinsey fish market steady.

Wool futures market steady.

Jute market steady.

Grinsey fish market steady.

# EUROPEAN COAL AND STEEL COMMUNITY

a number drawn by lot on May 5th, 1977, and published on 1977, the bonds numbered 1134 to 4233 inclusive have also been redemption on June 15th, 1977. These bonds so drawn are according to the terms of the bonds and have ceased to bear the above mentioned redemption date.

# Lower fish oil output forecast

WASHINGTON, Sept. 5.

WORLD FISH OIL production this year, including fish liver oil, is forecast at about 800,000 tonnes compared with an estimated 971,000 tonnes last year.

The U.S. Agriculture Department's Foreign Agricultural Service (FAS) report also said next year's world fish oil output will be 101,000 tonnes.

FAS notes its projection for next year is partly based on the assumption that Peruvian fish oil production recovers to 60,000 tonnes from the estimated 50,000 tonnes in 1976.

FAS projections for next year with estimated 1977 output in brackets (thousand tonnes): Peru 60 (50), Norway 360 (280), U.S. 100 (80), S. Africa 30 (40), Iceland 35 (35), Japan 120 (125), Denmark 95 (100).

Net exports: Peru nil (nil), Norway 170 (180), U.S. 75 (85), S. Africa nil (5), Iceland 35 (35), Japan 40 (50), Denmark 75 (75). Reuter.

# Australian wool output 'to drop 6%'

PORT ELIZABETH, Sept. 5.

WOOL PRODUCTION is expected to drop this year by 6 per cent to Australia to 607m. kilos from 645m., and 10 per cent in Argentina to 302m. from 330m. Jan Van Wyk, South African Wool Board director, said.

No changes are expected in New Zealand and Uruguay and there may not be a significant variation in the South African clip which amounted to 98,615m. kilos in the year ended June 30, compared with 102,772m. the previous year, he said.

The fall in demand for wool resulted from disappointing retail sales in consumer countries and the fall in economic growth, coupled with high inflation and unemployment, Mr. Van Wyk said.

# Taiwan to buy more U.S. maize

TAIPEI, Sept. 5.

TAIWAN WILL import "huge" quantities of maize from the U.S. during the next few years, says the Central News Agency.

The agency said Mr. K. C. Lin, leading Taiwanese maize importer, met U.S. Department of Agriculture officials to discuss the trade between the two countries during his recent visit to Washington.

Taiwan imports 2m. tonnes of maize a year. In addition to the U.S., it buys maize from South Africa and Thailand.

# FINANCIAL TIMES

Sept. 6		Sept. 5	
1977	1976	1977	1976
240.50 240.05 241.77 235.66			
(Base: July 1, 1962=100)			
REUTERS			
Sept. 6 Sept. 5 Month ago Year ago			
1977 1976 1977 1976			
(Base: September 15, 1961=100)			
DOW JONES			
Sept. 6 Sept. 5 Month ago Year ago			
1977 1976 1977 1976			
(Average 1929-36=100)			
MOODY'S			
Sept. 6 Sept. 5 Month ago Year ago			
1977 1976 1977 1976			
(December 31, 1961=100)			
LONDON PALM OIL (Closing)			
24.00 24.00 24.00 24.00			
23.00 23.00 23.00 23.00			
22.00 22.00 22.00 22.00			

STOCK EXCHANGE REPORT

Widespread good equity gains on increased demand
Share index up 12 points at 519.5 to near 5-year peak

Account Dealing Dates
Optimism
First Declared Last Account Dealings Day
Aug. 22 Sep. 1 Sep. 2 Sep. 13 Sep. 5 Sep. 15 Sep. 16 Sep. 27 Sep. 19 Sep. 29 Sep. 30 Oct. 11

comprising institutional switching from the shorts into slightly longer dates along with domestic and foreign investment. The upward progress was confined to morning business, the afternoon trade being particularly quiet and hesitancy after the official close only served to encourage fresh buying interest which left quotations at the day's highest.

Stock markets were featured yesterday at the start of a new Account with widespread and often substantial rises in virtually all equity sectors and, despite the fact that five of the constituents went ex-dividend, the FT Industrial Ordinary share index advanced a further 12 points to 519.5—only about 5 per cent. off its all-time peak of 546.3 recorded over five years ago.



Unilever advance

The miscellaneous Industrial leaders were slow into their stride, but a renewed investment demand shortly before midday soon had prices rising afresh quite sharply. Unilever led with a rise of 18 to 546p, 47p were closely followed by Glaxo, 17 up at 615p.

Shippings made progress in the course of a useful trade. P. & O., 151p, and British and Commonwealth, 314, both firmed 6p.

South African Golds moved ahead strongly into the week, the 50 rise in the bullion price to 147.875 per ounce—its highest closing level since May 17—and the Gold Mines index rose 4.4 to 48p.

Rises in both the investment premium and arbitrage rate sustained the advance in share prices. Business, however, was by no means substantial owing to the closure of Cape markets for the Settlers Day holiday and the shut-down of U.S. and Canadian exchanges for Labour Day.

Selection Trust was the exception that remained undisturbed at 444p following a Press report stating a denial by Amax that it had received a bid from Standard Oil of California.

Banking buoyant
The major clearing banks experienced a continuation of last Friday's upsurge as sizeable buying took prices forward sharply. Barclays topped the Active Stocks list and finished West were 12 higher than 215p on a rise over the last two trading days of 38.

Longer Gilts strong
With the emphasis in British Funds shifting to those of a medium and longer maturity, where scope for upward appreciation is strongest, sharp advances extending to 10 were established in these areas.

ent after-hours' and settled 16 to the good at 211p; the interim results are due on September 22. Tubes, in which dealings commenced ex the rights issue today, closed 14 better at 412½; the new shares are expected to open at around 50p premium.

Siemens (U.K.) jump
Leading Oil closed at the day's best after a good turnover. British Petroleum more than recouped the dividend deduction by closing 13 to the good at 914p, while the partly-paid rose a similar amount to 478.

Properties attracted further widespread demand, still on hopes of lower interest rates. Land Securities led the way with a gain at 11 at 207p. MEPC added 6 more at 11p and English improved 3 Oil of California.

FINANCIAL TIMES STOCK INDICES table with columns for various indices like Government Securities, Fixed Interest, Industrial Ordinary, Gold Mines, etc., and their values for different periods.

HIGHS AND LOWS table showing price ranges for various sectors like Govt. Secs, Fixed Int., Ind. Ord., etc., for the period 1977.

OPTIONS TRADED table listing details for various options including First Dealings, Last Dealings, For Settlement, etc.

NEW HIGHS AND LOWS FOR 1977 table listing securities that reached new highs or lows during the year.

RISES AND FALLS YESTERDAY table showing daily price changes for various stock categories.

LATIN AMERICAN BANKING CARACAS - 6 and 7 OCTOBER 1977. A conference organised by the Financial Times, The Banker, British Caledonian Airways and Investors Chronicle.

RECENT ISSUES

Table of Recent Issues categorized into EQUITIES and FIXED INTEREST STOCKS, listing issue details like amount, price, and dates.

"RIGHTS" OFFERS

Table of Rights Offers listing issue details such as issue price, amount, and dates.

ACTIVE STOCKS

Table of Active Stocks listing various stock names like Barclays Bank, ICI, GUS A, etc., with their current prices and changes.

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table of FT-Actuaries Share Indices categorized into EQUITY GROUPS and FIXED INTEREST PRICE INDICES, showing index values and percentage changes.

Table of Bond Rates and Bond Tables, including interest rates for various terms and bond yields.

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Table of authorised unit trusts including names like Brown Shipley & Co. Ltd., Henderson Administration, and various international funds.

Table of offshore and overseas funds including names like Arbuthnot Securities (C.I.) Limited, Fidelity Mgmt. & Res. (Bona) Ltd., and various international investment funds.

BASE LENDING RATES

Table listing base lending rates for various banks and financial institutions, including Bank of England, Bank of India, and others.

INTERNATIONAL BOND TABLE

Table listing international bonds with columns for country, denomination, interest rate, and maturity date.

INSURANCE, PROPERTY, BONDS

Table listing insurance, property, and bond services from various providers like Abbey Life Assurance, Equity & Law Life Ass. Co., and others.

Table listing financial products and services, possibly related to the bond table, including interest rates and terms.

Table listing financial products and services, possibly related to the bond table, including interest rates and terms.

CLIVE INVESTMENTS LIMITED advertisement with contact information and details about investment services.

FT SHARE INFORMATION SERVICE

HOTELS—Continued

Factoring means EASIER SALES ACCOUNTING! Interested? Talk to INTERNATIONAL FACTORS LIMITED

BRITISH FUNDS table with columns for Stock, Price, Dividend, and Yield

Over Fifteen Years table with columns for Stock, Price, Dividend, and Yield

INTERNATIONAL BANK table with columns for Stock, Price, Dividend, and Yield

COMMONWEALTH & AFRICAN LOANS table with columns for Stock, Price, Dividend, and Yield

FOREIGN BONDS & RAILS table with columns for Stock, Price, Dividend, and Yield

AMERICANS table with columns for Stock, Price, Dividend, and Yield

AMERICANS—Continued table with columns for Stock, Price, Dividend, and Yield

CANADIANS table with columns for Stock, Price, Dividend, and Yield

BANKS AND HIRE PURCHASE table with columns for Stock, Price, Dividend, and Yield

BEERS, WINES AND SPIRITS table with columns for Stock, Price, Dividend, and Yield

AMERICANS table with columns for Stock, Price, Dividend, and Yield

BUILDING INDUSTRY, TIMBER AND ROADS table with columns for Stock, Price, Dividend, and Yield

BUILDING INDUSTRY—Cont. table with columns for Stock, Price, Dividend, and Yield

CHEMICALS, PLASTICS table with columns for Stock, Price, Dividend, and Yield

CINEMAS, THEATRES AND TV table with columns for Stock, Price, Dividend, and Yield

DRAPERY AND STORES table with columns for Stock, Price, Dividend, and Yield

DRAPERY AND STORES—Cont. table with columns for Stock, Price, Dividend, and Yield

ELECTRICAL AND RADIO table with columns for Stock, Price, Dividend, and Yield

ENGINEERING, MACHINE TOOLS table with columns for Stock, Price, Dividend, and Yield

DRAPERY AND STORES table with columns for Stock, Price, Dividend, and Yield

ENGINEERING—Continued table with columns for Stock, Price, Dividend, and Yield

ENGINEERING, MACHINE TOOLS table with columns for Stock, Price, Dividend, and Yield

FOOD, GROCERIES, ETC. table with columns for Stock, Price, Dividend, and Yield

HOTELS AND CATERERS table with columns for Stock, Price, Dividend, and Yield

HOTELS—Continued table with columns for Stock, Price, Dividend, and Yield

INDUSTRIALS (Miscel.) table with columns for Stock, Price, Dividend, and Yield

INDUSTRIALS (Miscel.) table with columns for Stock, Price, Dividend, and Yield

INDUSTRIALS (Miscel.) table with columns for Stock, Price, Dividend, and Yield

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INSURANCE - Continued. Table listing various insurance companies and their stock prices.

PROPERTY - Continued. Table listing property-related companies and their stock prices.

TRUSTS - Continued. Table listing trust companies and their stock prices.

TRUSTS - Continued. Table listing trust companies and their stock prices.

YASUDA Life Insurance Co. Ltd. Logo and company name.

MINES - Continued. Table listing mining companies and their stock prices.

AUSTRALIAN. Table listing Australian companies and their stock prices.

OVERSEAS TRADERS. Table listing overseas trading companies and their stock prices.

RUBBERS AND SISALS. Table listing rubber and sisal companies and their stock prices.

TEAS. Table listing tea companies and their stock prices.

MINES. Table listing mining companies and their stock prices.

REGIONAL MARKETS. Table listing regional market data.

OPTIONS. Table listing options and their call rates.

Notes and miscellaneous information at the bottom of the page.



There are no finer springs than Springby

Robert Riley Ltd. Rochdale, Lancs.

## DEMONSTRATORS JOSTLE GORMLEY



BY NICK GARNETT, LABOUR STAFF

MR. JOE GORMLEY, of the National Union of Mineworkers president, was jostled and spat at for several minutes in Blackpool yesterday before police and senior union officials could clear a way for him.

Mr. Gormley, bearing the brunt of abuse from fist-shaking demonstrators, including members of the Trotskyist-backed Right to Work campaign, had to walk more than 100 yards surrounded by a protective shield of police and NUM officials.

As he left the town's Winter Gardens, the TUC Congress venue, later a large group of demonstrators followed him, chanting and arguing with him about pit closures and unemployment before leaders of the demonstrators ordered them back.

Mr. Gormley said last night: "It was a deplorable state of affairs. Something has got to be done about the laws of the land."

"It didn't frighten me but it could be a frightening thing to a hell of a lot of people. I think we are getting ourselves into a bit of a mess and society when people who want to express a point of view have to split in other people's faces."

The arrest of Mr. John Deason, the campaign leader, during the demonstration provoked a further march to Blackpool central police station where a line, four deep and 100 yards long, of Right

To Work campaigners, formed in one of the side roads. Campaigners appealed to demonstrators almost all of them in their teens and early 20s, for order and calm and told them to sit peacefully in the road.

Campaign stewards appealed to demonstrators, almost all of them in their teens and early twenties, for order and calm. They urged them to sit peacefully in the road.

The campaigners, many of them recognisable from the Grunwick picket lines and some carrying flags on their orange waistcoats like "Veteran of Lewisham" and "East End Trotskyist Boot Boys" were yowling to stay there until Mr. Deason was released on bail.

Later in the evening, a few Right to Work campaigners entered the Imperial Hotel, the main delegate hotel, and scuffles broke out at one of the hotel receptions.

The Right to Work campaign, whose most common chant is "Occupy, nationalise, fight for the right to work", is planning a national rank and file delegate conference in Manchester in November.

Apart from the Right to Work marchers, separate demonstrations were organised by trade delegations against the 12-month rule, by the Grunwick strikers, and the Campaign Against Youth Unemployment.

## CBI to debate calls for curbs on trade unions

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A SUBSTANTIAL number of demands for new laws to curb trade union activities have been submitted for debate at the CBI's first national conference in November. This means CBI leaders are likely to come under pressure to change their policy of avoiding major changes in employment law.

The demands are controversial because they come only three years after the restrictions of the 1971 Industrial Relations Act were repealed. They coincide with a debate among Conservative Party leaders about what employment laws they should propose for the next general election.

The ideas include introducing a legal freedom not to belong to a trade union so as to outlaw closed shops; making labour agreements legally binding; and introducing postal ballots before strikes and other major union decisions are taken.

There is also considerable concern about picketing, with proposals for new legal restraints, as well as opposition to new legislation on worker directors.

Nearly 100 resolutions have been submitted to the CBI, mainly through employer and trade associations, for the two-day conference in Brighton. The CBI's headquarters staff are grouping these and other resolutions for the conference's five main debating sessions. These will cover inflation, the State and its relationships with businesses and individuals, problems of investment and manpower, employee participation, and Britain's role in the world economy.

Up to 2,500 delegates are expected to attend the conference, some in groups from large company headquarters staff.

Many of the protests aired will concern Government and trade union power. It will be proposed that the CBI should withdraw from co-operation with the Government in joint bodies such as the Industrial Relations Commission. It will be proposed that the CBI should withdraw from co-operation with the Government in joint bodies such as the Industrial Relations Commission. It will be proposed that the CBI should withdraw from co-operation with the Government in joint bodies such as the Industrial Relations Commission.

Experts

The overall conclusion reached by the committee is that British labour relations need a period of stability and should not be upset by any major alterations to the law, even though one or two areas, such as picketing and recognition, might need attention.

This does not mean the CBI leaders would not like to see some restrictive laws if they could work. What it does mean is that the personnel directors and other experts under the Industrial Relations Act, sympathetic strikes involving a third party, postal ballots, and picketing problems.

Decisions reached by the conference will be taken into account in deliberations by the CBI's policy-making committee, which will be held in November. The committee will be asked to recommend to the Government what changes should be made to the Industrial Relations Act.

The CBI's policy-making committee will be asked to recommend to the Government what changes should be made to the Industrial Relations Act.

## Follow-up summit on economic growth

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE PROBABLE failure of the main Western industrialised countries to fulfil the economic growth commitments agreed at the Downing Street summit in May is likely to be the main theme of a follow-up meeting in Washington in three weeks' time.

This meeting has been confirmed following the hints by the Prime Minister on Friday, when he indicated that he was disappointed with the results of the earlier summit.

The talks will be held at the same time as the International Monetary Fund annual meeting, also in Washington, but will be separate.

Senior officials from the seven summit participants will attend. The U.K. team will be led by Sir John Hunt, the Cabinet Secretary, with Sir Michael Palliser from the Foreign Office and Mr. Ken Couzens from the Treasury.

The talks are at present intended to be essentially a post-mortem and follow-up to the earlier meeting rather than a preparation for a new summit. But a later meeting of political leaders has not been ruled out.

There is no formal agenda yet. But the main item will be a review of progress on both the economic growth targets for 1977 agreed in May have been achieved.

The talks are also likely to cover the suggestions about a medium-term economic targets put forward at the ministerial meeting of the Organisation for Economic Co-operation and Development two months ago.

A problem about the economic growth commitments made in May is that effectively it will be too late to introduce corrective measures by the time they do not look like being achieved. So it has been suggested that any future targets should be at least a year ahead and thus should be more achievable.

Mr. James Callaghan last week made it clear his disappointment was in the degree of economic expansion in West Germany and the U.S., and referred to the Western leaders' commitment in May to countervailing measures if growth did fall short of target.

By the time the Washington talks occur, both the Japanese and West German Governments should be able to point to new expansionary economic packages as a sign of their good intentions in carrying out their May commitments. Since the May meeting, there has been increasing concern about the slowdown in the world economic recovery, highlighted in the OECD mid-year report, and in particular about whether the leading industrialised countries will actually meet their growth targets.

Editorial Comment, Page 18  
Bonn may seek reassurance.

Bank syndicate

The syndicate of banks which is arranging this \$1bn. loan includes Deutsche Bank, Lloyds Bank International, and Morgan Guaranty, which is acting as agent.

Mexico is expected to pay a margin of 1 1/2 per cent. over inter-bank rates, a figure in line with what it has been paying on recent loans.

The bank's management fee is 1 per cent. lower than has been the case recently for Mexico.

## Power cuts could hit many parts of Britain to-day

BY DAVID CHURCHILL, LABOUR STAFF

MANY PARTS of Britain could face electricity cuts or reduced voltage this morning because of the threatened two-day unofficial strike by power station workers.

The most vulnerable hours are 7 a.m. to about 9 a.m. when demand is at its highest because of breakfast cooking.

The strike action was planned by workers in about 40 of the 170 power stations throughout Britain. They are protesting at the lack of negotiations on their demands for improved shift pay—from £4 to £10 a week—and better fringe benefits.

An unofficial shop stewards' committee, based in Yorkshires, was set up to press their demands.

On Sunday, the committee turned down an appeal from full-time union officials to call off the strike, pending the start of official negotiations in a few weeks' time. The committee said the official union action had come "too late."

Effects of the power workers' action on electricity supplies were difficult to determine yesterday because of the unofficial nature of the strike.

### Unofficial

The Electricity Council said it could mean little more than a degree of voltage reduction which would pass unnoticed by most customers.

"On the other hand, if the unofficial movement was to receive the full support it has publicly claimed, there could be a higher level of discomfort and hardship," a spokesman said.

The four main unions to which the power workers belong were also unable yesterday to estimate the degree of support for

the strike. The General and Municipal Workers said that the issues would be discussed on September 16 with the Electricity Council.

"I do not know if the men have as much support as they claim," a union spokesman said.

The other unions involved are the Transport and General Workers' Union, the Electrical and Plumbing Trades Union, and the Amalgamated Union of Engineering Workers.

The Electrical Power Engineers Association, which represents skilled engineers and management, has instructed its 34,000 members "to do all possible to maintain the electricity supply and to limit the massive disruption that would occur otherwise."

### Picket lines

But the engineers are not expected to cross hostile picket lines because of the effect on demand for about three hours.

Contingency plans have also been set in operation by the Electricity Council "to ensure that everything will be done to minimise any inconvenience to the public."

Should the power supply position deteriorate over the two days of the unofficial strike action, the Council says, then there would be a system of rota cuts of about three hours.

Electricity Boards will make readily available advice on measures which could be taken by the public themselves should cuts become necessary.

In particular, the Electricity Council will ask for strict economies in the use of electricity in the home and industry.

Continued from Page 1

## TGWU

ingly common here.

The expected majority in favour of maintaining the rule narrowed further yesterday as it was learned that delegates representing the 85,000 Agricultural Workers had narrowly decided to oppose the rule.

The TUC General Council met to consider the composite resolution supporting the rule and voted 29 to 14 in its favour.

It then the General Council voted on the rule its members

were depleted and the vote was 19 to 4.

But the increase in the hostile vote was taken as further encouragement by those most committed to seeing the end of the social contract.

Mr. James Callaghan is due to address Congress this afternoon against a background of growing rank and file revolt against TUC help for the Government's strict pay target for the coming 12 months.

They were also unable yesterday to estimate the degree of support for

## Mexico to raise \$1 bn. loan

By Francis Ghiles

MEXICO IS to raise a loan of at least \$1bn. for seven years from international banks. The loan is expected to meet most of its foreign-exchange needs to the end of the current year.

It has already borrowed well over \$1bn. this year and has told the IMF it would not increase its net bank borrowing by more than \$3bn. during the year. The amount of the loan at present being negotiated could be increased if the response from the banks is good.

External debt

According to recent Morgan Guaranty figures, Mexico's external debt was \$27.6bn. at the end of 1976. The country's external debt more than doubled between 1973 and 1976.

Mexico's debt to commercial banks totalled \$18bn. at the end of last year, of which over \$7bn was due to be repaid this year. A large portion of this comprises short-term commercial credit, which should easily be extended.

But its debt-service ratio—amortisation and interest payments as percentage of exports of goods and services—was 31.7 per cent. at the end of last year, which is high by Third World standards, but less than that of Brazil, Chile and Argentina.

Mexico's trade deficit was \$3.7bn. in 1975 but was reduced to \$2.7bn. last year. The long-term outlook for the balance of payments is more favourable than those figures might suggest, because of the country's oil and natural gas resources. Nevertheless, over the next two or three years there will be a big increase in the external debt servicing burden, and the need to borrow large new amounts to finance expansion of gas and oil resources will persist.

The talk will be held at the same time as the International Monetary Fund annual meeting, also in Washington, but will be separate.

Senior officials from the seven summit participants will attend. The U.K. team will be led by Sir John Hunt, the Cabinet Secretary, with Sir Michael Palliser from the Foreign Office and Mr. Ken Couzens from the Treasury.

The talks are at present intended to be essentially a post-mortem and follow-up to the earlier meeting rather than a preparation for a new summit. But a later meeting of political leaders has not been ruled out.

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## French Left quarrel grows

BY ROBERT MAUTHNER

PARIS, Sept. 5.

THE BITTER quarrel between the French Communist and Socialist Parties—the two main partners of the opposition Union of the Left—reached new extremes to-day with publication by the Communist Party newspaper L'Humanité of a detailed catalogue of their differences.

L'Humanité's two-page supplement, of which 8m. copies were printed, was published only some 10 days before the scheduled "summit" of the Left, at which final agreement is supposed to be reached on updating its five-year-old common programme.

Judging by the terms in which the supplement was couched, the prospects for such an agreement are now very slim.

In a front-page article, M. Georges Marchais, Communist secretary-general, said that "serious differences" remained to be ironed out between the two parties over the whole range of social, economic and defence policies set out in the common programme.

If the Socialist Party's proposals were accepted, the new policies expected by the French

working class would never be implemented.

The Communist Party could not be expected to "manage the crisis" facing the country and apply austerity policies.

M. Marchais was, in effect, replying to a much-quoted statement made a few days ago by M. Francois Mitterrand, his Socialist opposite number, in which he said "Yes" to the Left's common programme but "No" to the Communist programme.

Among the points at issue, L'Humanité listed the nationalisation programme, which the Communists want to extend and the Socialists want to restrict to the original nine industrial groups and the banking and financial sectors.

Other disagreements given prominence by the paper included the level of the national minimum wage and the Socialists' refusal to accept Communist proposals on capital and wealth taxes and wage differentials.

On defence, M. Jean Kanapa, the Communist Party's foreign affairs expert, said that while his party had come out un-

equivocally in favour of an independent national defence policy, including the retention of the nuclear deterrent, the Socialists wanted this last matter put to a referendum.

Nor were they prepared to accept the Communists' doctrine of defence in all directions.

But their growth targets, Editorial Comment, Page 18  
Bonn may seek reassurance.

Most of them still believe that the Communists are adopting essentially a tactical position and do not want to provoke a final break.

Their aim is to pin down the Socialists to detailed policies before the election, from which the latter are expected to emerge as the dominant party.

But whatever the Communists' real motives, relations between the two parties have now deteriorated to the point at which the whole credibility of the Union of the Left has been seriously undermined in the public opinion.

French Budget, Page 4

## THE LEX COLUMN

# Long gilts wait to join the party

A seasonally adjusted public sector borrowing requirement of £1.7bn. in the first quarter of the financial year provides further evidence of the way in which the economic background is developing favourably for the gilt-edged market. Projecting the full year's outturn is, of course, a risky procedure at this early stage: special factors affecting April-June include the absence of the income-tax concessions which have since become effective, and the crediting of some £150m. of BP sale proceeds (the rest coming in December). Still, it is possible to see the 1977-78 PSBR coming out at £8bn. or less, against the last official forecast of £8.5bn.

Although continuing to be overshadowed by the progress of the equity market, gilts picked up speed yesterday and the F.T. Government Securities Index level of 71.27 has only been exceeded on one day (May 18) this year. Since May, however, the longs have signifi-

cantly underperformed the shorts which have been much more directly under the influence of declining money rates. Two of the F.T. Actuaries five-year gilt-edged yield indices reached new lows yesterday, but although the yield on the higher coupon 2 1/2-year index has now dipped under 13 per cent. it remains 0.44 points above the figure attained in mid-May.

Yesterday the institutions were switching longer and a significant number of investors from the U.S. and abroad are now punting at the long end, where the glut of stock only a week or two ago has turned into a shortage. Exchequer 12 1/2 per cent. 1994 yesterday moved ahead of its issue price. There are obvious risks, of which the most immediate is the TUC vote on the 12-month rule. But it is hard to see that the Treasury will think it necessary to pay such high rates of interest on long-term borrowing for very much longer.

Decca

For the second year running, Decca has suggested lower profits for the year but then produced an increase; this time a useful 17 per cent. more pre-tax at £15.9m. The slow-down in records, and the costs of reorganising the U.S. radar company, have been more than offset by a 58 per cent. rise in trading profits from the capital goods side during the second

World markets

North American stock markets were closed yesterday for

Labour day and down in Africa they were closed. Settlers' day but this did prevent many of the other world stock markets moving ahead. Apart from where equities were falling from the Japanese moved into new high ground for 1977 and the Tokyo Jones Industrial average has risen by nearly a tenth late July. It is now only 1 per cent. off its all-time high.

Over the last few weeks there have been some improvements in sentiment many of the world's major markets. Whereas for the year they have been troubled by the signals coming out of Street, the space of recent packages now being jingling growth rates, has been well received by individual stock markets.

Japan cut its discount rate yesterday for the third year and is following static for four years, while trading profits have steadily declined from 1974's £10.9m. to 6.7 per cent. growth rate that under a fifth of Decca's profits now come from the consumer side.

The market for records and TV has remained depressed in the first half of the current year, though TV may not have lost money and the worst problems of the U.S. records business should have been cured. But this year Decca's profits are likely to rely at least as much as ever on the capital goods side, and there looks to be a system growth from Navigator systems, the revived marine radar side and electronic warfare contracts to carry Decca out of the £13m. £16m. profits territory it has been inhabiting for five years.

The results were good enough to make the shares—the voters put on 28p to 440p—stand out even in yesterday's market. A temporary lull in bid speculation has left these only 10p higher than the "A" shares and the Board, with 19 per cent. of the votes, shows no sign yet of flying on any of the industry's rationalisation kties. With the engineering resources it controls, it could command comfortably more than the current p/e of 12 1/2 should it change its mind.

Coalite

Laird Group will now pay up or drop out a bidding for—Charlton Industrial following last agreed terms from Coalite consideration of one share plus 75p in cash for two Charltons is worth taking Coalite at 60p ab the news of its 50 per dividend rise sweetener offer compares with a price of 64 1/2p (up 5 1/2p day) and the Laird offer.

Coalite's balance sheet closed over £13m. of March—admittedly a favourable period for the company—so the company has no problems in raising £14m. cash element. It has to argue its way to Office of Fair Trading, other full distributors in

vertical integration.

Weather

U.K. TO-DAY

LOUDY with showers.

LONDON, S.E., Cent., N. England, E. Anglia, Midlands.

Mostly dry but cloudy with bright intervals. Max. 20C (68F). Channel Is., W., N.E. England, Wales, Lakes.

Mostly cloudy, with rain or drizzle. Max. 16-18C (61-64F).

I. of Man, Borders, Edinburgh, Dundee, S.W. Scotland, Glasgow.

Rain and bill fog then showers and sunny periods. Max. 16C (61F).

Aberdeen, Cent., Highlands, Moray Firth, N. Scotland, Argyll.

Showers and sunny periods. Max. 14-16C (57-61F).

Outlook: Showers in N., mostly dry in S.

BUSINESS CENTRES

City	Y-day	Mid-day	Y-day	Mid-day	
	°C	°C	°C	°C	
Alexandria	F	16	Luzern	F	6
Amsterdam	F	10	Madrid	F	20
Ankara	F	21	Mannheim	F	18
Bahia	S	28	Melbourne	F	11
Barcelona	S	26	Moscow	F	17
Bombay	S	32	Munich	F	18
Buenos Aires	S	22	Nairobi	F	24
Cairo	S	31	Paris	F	12
Cardiff	S	18	Rangoon	F	27
Cebu	S	30	Reykjavik	F	10
Colon	S	31	Rio de Janeiro	F	21
Dublin	S	16	Santiago	F	18
Frankfurt	F	10	Sao Paulo	F	23
Hankow	S	23	Singapore	F	28
Hong Kong	S	28	Tokyo	F	23
London	S	12	Winnipeg	F	15
Lyon	F	12	Zurich	F	17

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**Odgers**

MANAGEMENT CONSULTANTS

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**Gilts rise strongly equities up 6.3**

Board seats

POSTAL VOTERS

REGISTERED YESTERDAY

*Handwritten signature or scribble*